

## **AUDIT COMMITTEE**

**Date and Time :-** Tuesday 29 November 2022 at 2.00 p.m.  
**Venue:-** Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.  
**Membership:-** Councillor Baker-Rogers (Chair); Councillors Cowen (Vice-Chair), Mills, Wooding 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. Apologies for Absence**

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

### **2. Declarations of Interest**

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

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

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

### **4. Exclusion of the Press and Public**

The following item has an appendix which is exempt from the press and public:-

Agenda Item 15 – Regeneration and Environment Risk Register (Appendix 1 is confidential)

(Exempt under Paragraph 3 (Financial Information) of Part 1 of Schedule 12(A))

Therefore, when considering this item, the Chair will move the following resolution when considering the appendix:-

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

**5. Minutes of the previous meeting held on 27th September, 2022 (Pages 3 - 10)**

To consider and approve the minutes of the previous meeting held on 27<sup>th</sup> September, 2022, as a true and correct record of the proceedings.

**6. Presentation by the Chief Executive**

**7. Audited Statement of Accounts 2021/22 (Pages 11 - 224)**

**8. Annual Governance Statement 2021/22 (Pages 225 - 247)**

**9. Information Governance/GDPR Annual Report 2021/22 (Pages 249 - 256)**

**10. Mid-Year Treasury Management and Prudential Indicators Monitoring Report - 2022/23 (Pages 257 - 272)**

**11. Code of Corporate Governance 2022 (Pages 273 - 302)**

**12. Risk Management Policy and Guide Refresh 2022 (Pages 303 - 335)**

**13. Internal Audit Progress Report for the period 1st September 2022 to 31st October 2022 (Pages 337 - 355)**

**14. Audit Committee Forward Work Plan (Pages 357 - 365)**

**15. Regeneration and Environment Directorate Risk Management Directorate (Pages 367 - 374)**

**16. Items for Referral for Scrutiny**


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

**17. Urgent Business**

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

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

The next meeting of the Audit Committee will be held on Tuesday, 10<sup>th</sup> January, 2023, commencing at 2.00 p.m. in Rotherham Town Hall.

A handwritten signature in black ink that reads "Sharon Kemp". The signature is written in a cursive, flowing style.

SHARON KEMP,  
**Chief Executive.**

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**AUDIT COMMITTEE**  
**27th September, 2022**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Cowen together with John Barber (Independent Person).

Thilina de Zoysa (Gareth Thornton) was also in attendance.

Apologies for absence were received from Councillors Mills and Wyatt.

**30. DECLARATIONS OF INTEREST**

There were no declarations of interest made at the meeting.

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

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

**32. 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. 35 (Assistant Chief Executive's Directorate Risk Register – Appendix 1) as it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

**33. MINUTES OF THE PREVIOUS MEETINGS HELD ON 28TH JUNE AND 28TH JULY, 2022**

Consideration was given to the minutes of the previous meetings of the Audit Committee held on 28<sup>th</sup> June and 28<sup>th</sup> July, 2022.

It was noted that Minute No. 6 of the meeting held on 28<sup>th</sup> June, 2022, should read "Audit Committee Annual Report 2021-22" and not Internal Audit Annual Report and that Minute No. 8 should read "Internal Audit Annual Report 2021-22" not Audit Committee Annual Report.

Discussion also ensued on recommendations contained within reports to the Committee and the requirements for them to be clear as to what action the Committee was being requested to take.

Resolved:- That the minutes of the previous meeting of the Audit Committee, with the clerical corrections as reported, be approved as a correct record of proceedings.

**34. ASSISTANT CHIEF EXECUTIVE DIRECTORATE RISK REGISTER**

Consideration was given to a report presented by Jo Brown, Assistant Chief Executive, supported by Fiona Boden, Head of Policy, Performance and Intelligence, Lee Mann, Assistant Director of Human Resources and Organisation Development and Tanya Lound, Corporate Improvement and Risk Officer, providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate.

Due to the nature of the work of the Assistant Chief Executives Directorate, 4 of the 16 risks also featured on the Council's Strategic Risk Register. These were:-

- Building stronger communities and thriving neighbourhoods
- Delivery of the Council's corporate priorities in the context of the cost of living crisis
- Hope and confidence in Rotherham
- Effective partnership working within and beyond Rotherham to maximise benefits to residents, service users and businesses

Risks were regularly discussed and reviewed at the Directorate Leadership Team by individual members of DLT and where necessary escalated to the next strategic level for inclusion on the risk register. The Assistant Director of Human Resources and Organisation Development also managed a service level risk register.

As part of the programme to embed risk management into the culture of the Council, all managers from the Assistant Chief Executive Directorate were required to attend the mandatory "Risk Management Training for Managers" workshops. New managers were invited to attend workshops as soon as possible after commencement in role.

The revised risk register (Appendix 1) aligned to the new Council Plan and Year Ahead Delivery Plan. Since the last report to the Committee in September, 2021, 3 risks had been amended, 4 risks added and 3 risks removed. There was only one risk currently assessed as being high risk and marked Red on the register.

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

- The Local Authority had a duty for the safeguarding and safety of individuals within the Borough, however, currently the management and delivery of the vulnerable people resettlement scheme was out of local authorities' control and local councils were only consultees to the process
- A new Strategy or Plan often led to consideration as to what would happen if it was not delivered hence the new risks added e.g. delivery of the Workforce Plan
- The risk register was reviewed on a monthly basis at DLT with new risks captured as they arose

- The 3 risks removed from the register were linked to the new risks that had been added to ensure they were up-to-date and reflected the current position

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.

### **35. FINAL UNAUDITED STATEMENT OF ACCOUNTS 2021/22**

Further to Minute No. 19 of the Audit Committee held on 28<sup>th</sup> July, 2022, Rob Mahon, Assistant Director Financial Services, 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 at the current time. The Council's external auditor, Grant Thornton, had indicated that they would be able to meet the revised audit deadline of 30<sup>th</sup> November, 2022.

The External Audit was progressing well with no significant pressures to note at this point in time. The revised statement of accounts would be published on the Council's website with the audited statement of accounts and ISO260 report submitted to the 29<sup>th</sup> November meeting of the Audit Committee.

An material adjustment had been identified by Grant Thornton with regard to the carrying value of plant, vehicles and equipment (PVE) assets held by the Council. A number of items had been identified which were still on the Council's balance sheet but had been disposed of in prior years. These were largely lower value assets that had been fully depreciated so held a net book value of £0 but had a gross book value remaining on the asset register that needed to be cleared. The total value of the adjustment was in the process of being identified but would be greater than £13M. The accounts would be updated when the figure was confirmed, however, it did not impact the Council's budget position of outturn position for 2021/22.

Thilina de Zoysa confirmed that the audit was progressing well and that there were weekly meetings to discuss progress. There were no significant issues at present that would impact on the completion of the audit.

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

- They were incredibly uncertain times the country was facing at present. Benchmarking of best practice with regard to the valuation of high value assets had been undertaken. During the pandemic and through working with Grant Thornton, the Council had started to change its practice to high value assets and look to get a valuation every year to try and get on top of asset valuations but it was difficult to resource. Equally it was still felt that the 5 year rolling process of valuations was a very robust process
- Valuation of buildings was a key risk as a fluctuation in rates etc. had a massive change in the valuation
- The 5 years rolling programme was CIPFA's agreed code of practice approach and was compliant with standards

It was noted that the changes with regard to PVE would be included in the final audited statement of accounts.

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.

### **36. ANNUAL GOVERNANCE STATEMENT 2021/22**

Further to Minute No. 20 of the meeting held on 28<sup>th</sup> July, 2022, David Webster, Head of Internal Audit, submitted the final Audit Governance Statement (AGS).

There had been no changes to the AGS since the draft was produced.

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 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.

### **37. INTERNAL AUDIT CHARTER**

Further to Minute No. 41 of the meeting of the Audit Committee held on 30<sup>th</sup> September, 2021, 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 were minor changes to the Charter including the completion of follow-up reviews after a Partial or No Assurance audit opinion.

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

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

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

**38. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST JUNE 2022 TO 31ST AUGUST 2022**

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 31<sup>st</sup> August, 2022, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

12 audits had been finalised since the last Committee meeting 2 of which had received Partial Assurance, 2 had received Reasonable Assurance and 8 had received Substantial Assurance as set out in Appendix B to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix C. Targets were met apart from the issuing of reports in the planned time which had been affected by annual leave.

It was noted that one of the Principal Auditors was taking flexible retirement as from 1<sup>st</sup> October, 2022. Recruitment had commenced for an additional full-time Senior Auditor which would enhance capacity in the medium term and aid business continuity and succession planning.

The Department was currently purchasing Data Analytics software that could be applied to databases to identify unusual or anomalous transactions for examination. This would increase the efficiency and effectiveness of audit work in the future.

Discussion ensued with the following issues raised/clarified:-

- Interviews were to take place on 30<sup>th</sup> September for the Senior Auditor position
- The lack of investigations this period could be reflecting the fact that there was now better governance within the Council as a whole, therefore, less opportunity for attempts of fraud
- 12 actions had resulted from the Enforcement (Food and Feed) audit of which 11 had been completed with the remaining action scheduled for completion by the end of the year
- Any audit that received partial assurance would be followed-up after 6 months
- The new data analytic software would facilitate the ability to look at all transactions and identify any that stood out in order to carry out further investigation. It was hoped to upload the software to laptops within the next few weeks which would be followed by a training session

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1<sup>st</sup> June, 2022 to 31<sup>st</sup> August, 2022, and the key issues that have arisen from it be noted.

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

### **39. ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY REVIEW AND UPDATE**

Further to Minute No. 41 of the Audit Committee meeting held on 30th September, 2021, 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 contents had been re-arranged so that the Policy showed the Council's aims and responsibilities whilst the Strategy showed how those aims were achieved.

The revised Anti-Fraud and Corruption Policy would be submitted to Cabinet for approval.

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
- The HM Government Anti-Corruption Strategy had updated the definition of corruption i.e. "there is no universally accepted definition of corruption but it is generally understood to involve the abuse of office and position to benefit a third party (an individual, business or other organisation) in return for payment or other reward. These figures were captured in Transparency International's definition "The misuse of entrusted power for personal gain"
- Once approved by Cabinet, the Policy will be published on the intranet and issued to senior management for consideration at SLT

Resolved:- (1) That the revised Anti-Fraud and Corruption Policy be supported and submitted for approval by the Cabinet.

(2) That the revised Anti-Fraud and Corruption Strategy be approved.

(3) That the actions taken to strengthen the Council's fraud and anti-corruption arrangements be noted.

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

Consideration was given to the proposed forward work plan for the Audit Committee covering the period November 2022 to September, 2023.

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

#### **41. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**42. URGENT BUSINESS**

There was no urgent business to be considered.

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

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



**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Audited Statement of Accounts 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)**

Owen Campbell (Head of Corporate Finance)  
Finance & Customer Services Directorate  
01709 822098 owen.campbell@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 2022, for the financial year 2021/22, accompanied by a Narrative Report and draft Annual Governance Statement. The original deadline for the final publication of the Council's audited accounts was 30th September 2022 but the regulations have been revised to extend this to 30th November 2022.

The Council presented draft accounts to Audit Committee on the 28<sup>th</sup> July 2022 and published those accounts before the 31<sup>st</sup> July 2022 as per the deadline. Then presented the final unaudited accounts to Audit Committee on the 27<sup>th</sup> September 2022, in light of the delayed audit, the Council has therefore not missed the original or new deadlines. 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 from 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 provide an unqualified opinion on the Statement of Accounts, however, they are not indicating any significant issues outside of the national issue with Infrastructure assets. This is due to a national issue with Local Authority approaches and accounting treatment for infrastructure assets. The issue was raised as part of other Local Authority 2020/21 accounts reviews and has since been progressed by CIPFA. Ultimately, in order to prevent significant qualified

audit opinions being issued across the board on Local Authority accounts, Government are consulting on a Statutory Override, that is due to be confirmed in December 2022. This override will allow LA's using the override to not make any prior period adjustments, or revisit opening balances until a workable future proof solution is in place.

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

### **Recommendations**

1. That Audit Committee, having taken due regard of the external audit findings, detailed within the ISA 260 report, formally approve the 2021/22 Statement of Accounts attached as Appendix 2 for publication as final and the 2021/22 Narrative Report attached as Appendix 3 for publication as final.
2. That Audit Committee note that the Council's Statement of Accounts will need to come back to Audit Committee following the outcome of the infrastructure statutory override, at which point Grant Thornton will be able to provide their opinion on the Council's accounts.

### **List of Appendices Included**

Appendix 1 – ISA 260 (to be circulated prior to meeting)

Appendix 2 – 2021/22 Audited Statement of Accounts (to be circulated prior to meeting)

Appendix 3 – 2021/22 Narrative Report

### **Background Papers**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 Accounts and Audit Regulations 2015

Audit Committee meeting – 27 September 2022

### **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 2021/22**

### **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 2022, for the financial year 2021/22, accompanied by a Narrative Report and draft Annual Governance Statement. The original deadline for the final publication of the Council's audited accounts was 30th September 2022 but the regulations have been revised to extend this to 30th November 2022
- 1.2 The Council presented draft accounts to Audit Committee on the 28th July 2022 and published those accounts before the 31st July 2022 as per the deadline. The Council then presented final unaudited accounts to Audit Committee on the 27th September 2022, 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 from 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 Council's 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. However, through the work with Grant Thornton the Council is aware of the following issues that have been identified and changed in the Council's accounts.
- 2.2 Accounting for infrastructure assets in local government has not historically been considered to be an area of significant audit risk. However, due to significant historical information deficits, many authorities are unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation. This has led to delays to audit completion for many authorities, and the risk of widespread accounts qualifications.
- 2.3 The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.
- 2.4 Government is proposing to put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure

assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances.

- 2.5 A long-term solution is required, but due to the complexity of the issue this will necessarily take time. The proposed override applies to all local authority accounts for which an audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25.
- 2.6 A material adjustment has been identified by the auditors in relation to the carrying value of plant, vehicles and equipment (PVE) assets held by the Council. Several items have been identified which are still on the Council's balance sheet but have been disposed of in prior years, these are largely lower value assets that have been fully depreciated so hold a net book value of £0 but have a gross book value remaining on the asset register that needs to be cleared. The total value of this adjustment is £17.758m. This change does not impact the Councils budget position or outturn position for 2021/22.
- 2.7 Four assets were identified as requiring a change in category, these were:
- i. Land at Stockwell Avenue (£2.1m) has been transferred from Investment Property to Assets Held for Sale
  - ii. Former Herringthorpe Leisure centre (£1.93m) has been transferred from Investment Property to Surplus Asset
  - iii. Land at Ivanhoe Road (£610k) has been transferred from Investment Property to Surplus Asset
  - iv. Land at former Oaks Day Centre (£802k) has been reclassified as an Asset Held for Sale

This change does not impact the Councils budget position or outturn position for 2021/22.

- 2.8 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. CIPFA issued guidance "CIPFA BULLETIN 09 - Closure of the 2020/21 Financial Statements" which stipulates that the DSG reserve should be transferred to an unusable reserve. The balance of this reserve was transferred to an unusable reserve during 2021/22. However, this change should have been reflected in the prior year (2020/21). The Statement of Accounts have been amended to show the reserve transfer in 2020/21. This change does not impact the Councils budget position or outturn position for 2021/22.
- 2.9 Impairment Oaks Day Centre building (£794k), this asset was identified as having been demolished and as such should have been impaired. Following identification this asset has now been impaired with the necessary accounting treatment updated within the accounts. This change does not impact the Councils budget position or financial monitoring outturn position for 2021/22.

- 2.10 There have been several amendments to the Financial Instruments note. These largely relate to the fair value calculation for non-PWLB loans and the Council's PFI contracts. Amendments to show revised estimates have been agreed with the Auditor. This change relates to the disclosure note only and does not impact the Council's budget position or outturn position for 2021/22.
- 2.11 The Council has fully engaged with the external audit and endeavoured to respond to issues as quickly and efficiently as possible. Though it should be noted that an audit taking place during September to November is far from ideal and at times this has impacted the Council's ability to respond as efficiently as would be preferred.

### **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 30<sup>th</sup> 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  
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This report is published on the Council's [website](#).

# The Audit Findings (ISA 260) Report for Rotherham Metropolitan Borough Council

**Year ended 31 March 2022**

**24 November 2022**





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## Your key Grant Thornton team members are:

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This Audit Findings 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 have been discussed with management and the Audit Committee.

## Gareth D Mills

Name: Gareth Mills

For Grant Thornton UK LLP

Date: 21 November 2022

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

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# 1. Headlines

This section summarises the key findings and other matters arising from the statutory audit of Rotherham Metropolitan Borough Council ('the Council') and the preparation of Council's financial statements for the year ended 31 March 2022 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 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 audit work was conducted remotely from July through to concluding in November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustment that would impact on the Council's useable reserves as at 31 March 2022. We identified number of adjustments including some prior period adjustments which are reported at pages 11 and 13. These are also reported at Appendix C.

Our work identified a number of disclosure and presentational audit adjustments which are also 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 completion 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) subject to the following outstanding matters:

- completing the remaining elements of our work on Property, plant and equipment (PPE), pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure and assurances from the auditor of South Yorkshire Pension Fund
- publication of the Statutory Instrument (SI) from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 12 for further details)
- clearing of any additional responses to the technical 'Hot Review' of the 2021-22 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings 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 signed management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

### Timing of the completion of the 2021-22 audit

In our discussions with management, our approach is to conclude all work on the audit by 30 November 2022 in line with the statutory target. However, there is a national issue across the sector in terms of accounting for infrastructure assets (set out in more detail on page 12) which is expected to be resolved via the issuing of a Statutory Instrument from DLUHC.

We have agreed with management that we will await the publication of the SI in order to avoid issuing a qualified opinion on the issue of infrastructure assets. At the time of this report the exact publication date remains unclear but it is anticipated that it will be issued and will become a legal instrument in late December. The SI is expected to resolve the infrastructure accounting issue across the sector and should all other aspects of the audit be concluded appropriately, we would expect to issue a clean (unqualified) audit opinion in January 2023.

# 1. Headlines

## 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; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report. We expect to issue our Auditor's Annual Report by the end of January 2023. This is ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued within three months after the date of the opinion on the financial statements.

As reported to you in our Audit Plan in July, our planning risk assessment work identified one possible significant weakness in the Council's arrangements. This is in relation to the Ofsted and CQC Inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham. We also identified this as a key recommendation issue in our 2020-21 VFM work and reported this in our Auditor's Annual Report in March 2022. Considering this inspection was carried out and reported in 2021-22, we consider this a continuing issue in the Council's VFM arrangements for 2021-22. As part of our 2021-22 VFM review, which is not yet completed, we are following up Council's actions in relation to the Ofsted findings. Further details of this issue is included in Section Three of this report.

As with many other local authorities across the country, the Council is facing cost pressures resulting from increasing inflation, interest rates, energy and national pay awards above planned assumptions. This is challenging on the Council's ability to deliver the agreed budgets and setting Medium Term Financial Plans. We will summarise our findings on these areas as part of our VFM work and report to you through our Auditor's Annual Report in January 2023.

## 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 cannot issue our 2021-22 audit certificate at this time. Subject to the completion of our work on the Council's VFM arrangements, our review of the Council's Whole of Government Accounts (WGA) submission, and the issue of the Statutory Instrument in respect of Infrastructure Assets, we will then be in a position to issue our audit certificate in the New Year.

## 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 continued assistance and support provided by the finance team and other staff during our audit.

# 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 have been discussed with management and will be presented to the Audit Committee on 29 November 2022.

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 and a statutory instrument being issued in respect of accounting for infrastructure assets (also see page 13 for further details), we anticipate issuing an unqualified audit opinion. These outstanding items include:

- completing the remaining elements of our work on Property, plant and equipment (PPE), pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure and assurances from the auditor of South Yorkshire Pension Fund
- publication of the Statutory Instrument (SI) from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 12 for further details)
- clearing of any additional responses to the technical 'Hot Review' of the 2021-22 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings 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 signed 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 18 July 2022.

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

Materiality area	Amount (£000)	Qualitative factors considered
Materiality for the financial statements	8,880	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 18 July 2022.
Performance materiality	6,216	Assessed to be 70% of financial statement materiality.
Trivial matters	444	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 18 July 2022.





## 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 Authority 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.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined 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.

Our audit work in this area remains ongoing, however 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 29 November should any significant issues arise from completing our work in this area.



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Risk of fraud in revenue recognition and expenditure

#### Revenue

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 at 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 Authority, 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 and into 2021-22.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal is still remain appropriate. 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 its material income and expenditure streams and compliance with the 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 supporting evidence.

#### Taxation and non specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we would conducted substantive analytical procedures
- For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code. Please see further reporting at page 17

#### Expenditure

- Agreed, on a sample basis, non pay expenditure and year end payables to supporting evidence
- Undertook 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.

From our audit work to date, there are no issues arising 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 Council dwellings

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 (nearly £1 billion for this significant risk category at £994m) 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, including council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- 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 see if they had been input correctly into the Council's asset register
- 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
- considered, where the valuation date is not 31 March 2022 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2022.

Our audit work to date has not identified any issues in respect of the closing valuation of land and buildings except for the following matters

**Note 19 (d) Revaluations and impairment** – Our work highlighted this note included incorrect balances which indicated as 'carried at historical cost' in relation to 'Other Land and Buildings' where some assets had been previously revalued as part of the Council's rolling valuation process. These assets should not be disclosed as 'carried at cost'. It also did not include the Assets under Construction of £80,102k which are carried at cost.

Overall, as a result of our findings, the other land and buildings 'carried at historical cost' amount has changed by £16,894k from £25,354k to £8,460k in the updated accounts. We have reported this at Appendix C.

We also identified some misclassifications between asset types in note 19 - Property, Plant and Equipment including within other land and buildings. These have all been adjusted by management and reported at page 37. These adjustments have no impact to Council's closing useable reserves position as at 31 March 2022.

# 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 (£338.4m in the Council's balance sheet) 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 IAS 19 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 IAS 19 liability. In particular the discount and inflation rates.

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

We have:

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

Our audit work to date has not identified any issues in respect of valuation of the pension fund liability except for the following disclosure issues on note 18 pensions:

- our review of the pensions disclosures within Note 18 Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity shares, complex derivatives where there is no readily available market information and need to make more assumptions on the estimate valuation) around the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added based on South Yorkshire Pension Fund (SYPF) 2021-22 valuations reported in the SYPF audited accounts.
- The recognised gains and losses reported in the CIES around the actuarial gains were £174.36m. This was incorrectly disclosed as £137.02m (a difference of £37.34m) in note 18 in the draft accounts. This has now been updated in the amended accounts.
- The principle assumptions used by the actuary as reported in note 18 did not fully agree to the actuary report in relation to rates of CPI inflation, increase in salaries and pensions and discounting scheme liabilities. This has now been updated in the amended accounts.

This amendments are also reported at Appendix C.

Further to discussions across public sector audit suppliers delivering pension fund audits, we have been informed that certain additional assurances are required from the pension fund auditor, as part of our audit of Council's pension fund net liability. The additional information mainly relates to the valuation of pension scheme assets in level 1, 2 and 3 of the fair value hierarchy and the approach taken to reviewing such valuations. This information should already be available to the pension fund auditor and should not require any significant additional work. We understand other audit firms are taking a similar approach regarding obtaining these additional assurances as part of auditing the pension fund net liability. We have requested for this information from the SYPF auditor and are currently awaiting a response.



## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
<p><b>IFRS 16 implementation</b></p> <p>FRAB agreed with the deferral of IFRS 16 to 2024- 25. Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in the 2021-22 accounts as a minimum, we would 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, along with the estimated impact of IFRS 16 on the accounts</p>	<p>As permitted, the Council has decided not to adopt the standard early in its financial statements. The Council has included a high level reference to IFRS16 in its accounts, statement of accounting concepts and policies , B accounting standards issued and not yet adopted.</p> <p>Management and the audit team will liaise during the 2022-23 audit to ensure the requirements of the new standard are being followed and plans are developed for IFRS 16 implementation to be adequately reported in the 2023-24 accounts and fully adopted in the 2024-25 accounts.</p>
<p><b>Recognition and Presentation of Grant Income</b></p> <p>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/ 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.</p> <p>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.</p>	<p>Notes 7 and 8 to the accounts include a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES). Note 34 (creditors) to the accounts includes grants and contributions received in advance. These notes provide the accounting principles and disclosures supporting grant income.</p> <p><b>Prior Period Adjustment:</b></p> <p>Our audit testing of grant income relating to 2021-22 identified one issue whereby the PFI grant £9,822k (PY: £9,822k) was recognised in the wrong heading in the CIES under taxation and non specific grant income. This should have been included under Cost of Services section in the CIES as the grant relates to PFI services. Considering the amounts were material and this was an error, it is within the scope of prior period adjustments accounting principles (IAS 8). Management has adjusted for this in the revised accounts and disclosed appropriately in the CIES. This amendment has no impact on the Council's useable reserves for the year ended 31 March 2022. See Appendix C for the adjustments made.</p> <p><b>Other work:</b></p> <p>Our work also involved reviewing the Council's treatment of grants including Covid-19 related grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not. We have not identified any issues on this.</p> <p>Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants. No other issues have been identified in recognition and presentation of Grant Income in line with the Code.</p>

## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
<p><b>National local authority accounting issue:</b></p> <p><b>Valuation of Infrastructure Assets</b></p> <p>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period.</p> <p>The Council has material infrastructure assets amounting to c£200m (net book value) as at 31 March 2022, there is therefore a potential risk of material misstatement related to the infrastructure balance.</p>	<p>Our review of the Council's arrangements for accounting for infrastructure assets noted that its arrangements, as with most other authorities, do not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and International Accounting Standard (IAS) 16, which establishes the principles for recognising property, plant and equipment as assets, measuring their carrying amounts, disposals and measuring the depreciation charges and impairment losses.</p> <p>The Council, in common with most other local authorities, capitalises additional expenditure on infrastructure assets, for example on resurfacing roads. However, the amount written out (e.g. as disposals) against the gross value of infrastructure assets and depreciation following these improvement works may not fully write out the appropriate proportion of the improvements made and are unable to be clearly demonstrated by available records held by the Council. As a result, there is a risk that the Council's gross book value and accumulated depreciation infrastructure balances could be materially misstated.</p> <p>The valuation of infrastructure assets in local government continues to be an on-going national issue. Given the value of infrastructure assets at the Council totals c£200m (net book value), a resolution for the sector is necessary before we are able to conclude on the 2021-22 audit.</p> <p>We understand the Department for Levelling Up, Housing and Communities (DLUHC) is in the process of issuing a Statutory Instrument which would provide a statutory override given most authorities do not fully comply with current accounting requirements on infrastructure assets. We understand the DLUHC is aiming to issue the Statutory Instrument in late December 2022.</p> <p>We will continue to keep the finance team and the Audit Committee briefed on any developments as they arise. The issue of the SI (and its contents) will determine when we will be in a position to conclude and sign off the Council's 2021-22 accounts, but we anticipate this to be early in the New Year.</p>
<p><b>IT General Controls (ITGC) work</b></p> <p>As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls and 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.</p>	<p>There were some recommendations arising from our IT work which have been included under Appendix A. The recommendations are primarily concerned with weaknesses at system access level, where there are compensating controls in place to detect and reduce material errors in the financial statements.</p> <p>The audit team has considered the issues identified and do not consider them significant enough to have an impact on our audit approach (as we performed a fully substantive audit approach with no reliance on operating effectiveness of controls whether they are IT or manual). The recommendations identified by our IT audit specialists would further strengthen the Council's IT control environment when implemented.</p>

## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
<p><b>Prior Period Adjustment (PPA) – Notes 36 and 37 useable and unusable Reserves around DSG adjustment account and Movement in Reserves Statement (MIRS)</b></p> <p>The Dedicated School Grant (DSG) cumulative deficit as at 31 March 2021 amounting to £21,258k should be reported in a DSG Adjustment Account ‘unusable reserve’ in line with the Statutory Instrument (SI) 2020 number 1212. This SI was issued in November 2020 and indicated that cumulative DSG deficits should be taken to an unusable reserve at the end of 31 March 2021.</p> <p>Our work highlighted that this cumulative DSG deficit balance of £21,258k was initially reported under useable reserves Note 36 as at 31 March 2021. Further to discussions with management, this has been amended and accounted for in the DSG Adjustment Account for year ended 31 March 2021, under unusable reserves (note 37).</p> <p>Our work indicated the cumulative DSG deficit has been correctly accounted for and reported as unusable DSG adjustment accounts as at 31 March 2022 in note 37.</p> <p>The PPA also impacts on Note 16 DSG disclosures.</p>	<p>Our further audit work in this area indicated that:</p> <ul style="list-style-type: none"> <li>- This adjustment is within the scope of the relevant Accounting Standard for a PPA (IAS 8)</li> <li>- As a result:               <ul style="list-style-type: none"> <li>(a) the useable reserves brought forward in MIRS (1 April 2021) will increase by £21,258k to £163,956k</li> <li>(b) the unusable reserves brought forward in MIRS (1 April 2021) would increase by £21,258k to £98,888k</li> <li>(c) No impact to total reserves brought forward and General fund reserves brought forward as at 1 April 2021</li> <li>(d) No impact on useable and unusable reserves carried forward as at 31 March 2022</li> <li>(e) No impact to total reserves carried forward and General fund reserves carried forward as at 1 April 2022</li> <li>(f) Accordingly, Movement in Reserves Statement (e.g. reserves brought forward), notes 36 and 37 will change to reflect the correct useable and unusable reserves brought</li> </ul> </li> <li>- Required disclosures should be made in the Balance Sheet, Movement in Reserves Statement, notes 36, 37 and other related notes in relation to this PPA in line with IAS 8 accounting principles.</li> <li>- As reported at Appendix C, management has agreed to make these adjustments and those will be reflected in the revised version of 2021-22 accounts and Note 16.</li> </ul>
<p><b>Disclosure Prior Period Adjustment (PPA) – Financial Instruments (Note 24) – Fair Value disclosures</b></p> <p>(1) Our work highlighted that to arrive at Fair Value (FV) disclosures in relation to Public Works Loan Board (PWLB) loan, management has used PWLB premature repayment rates rather than the PWLB new loan rate.</p> <p>The most appropriate loan rate to be used is the PWLB new loan rate as that is the loan rate that a new buyer or the Council would use if these are to be financed now. This should be used for FV calculation in line with relevant accounting principles.</p> <p>Using the PWLB new loan rate would materially change the Fair Value disclosures in Note 24.</p> <p>(2) Our work also highlighted that PFI liabilities and their FV's have been omitted in the FV disclosure Note 24 table. The amounts concerned are material disclosures that have been omitted this year and the prior year.</p> <p>After further discussions, management has agreed to update the accounts for this issue.</p>	<p>Our further audit work in this area indicated that:</p> <ul style="list-style-type: none"> <li>- These adjustments are within the scope of the relevant Accounting Standard for a PPA (IAS 8)</li> <li>- It is a disclosure PPA with in the scope of IAS 8</li> <li>- It has no impact on brought forward reserves as at 1 April 2021 as these are disclosure amendments only</li> <li>- Required disclosures should be made to Note 24 in relation to this PPA in line with IAS 8 accounting principles.</li> </ul> <p>As reported at Appendix C, management has agreed to process these disclosures amendments and they will be included in the revised version of the 2021-22 accounts.</p>

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwellings valuation: £710.9m	<p>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.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The Council Dwelling valuation as at 31 March 2022 was £710.9m, a net increase of £16.5m from 2020-21 (£694.4m).</p>	<ul style="list-style-type: none"> <li>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.</li> <li>Our work indicated that this methodology was applied correctly to the 2021-22 valuation.</li> <li>We have assessed the Council's valuer to be competent, capable and objective in carrying out the valuations</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report</li> <li>We have agreed the HRA valuation report to the accounts</li> <li>We have compared the valuation movements with the Gerald Eve (property valuation specialists) national report and held discussions with our own valuation specialist.. These discussions are still on going. We have also challenged management and the Council's valuation expert on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion.</li> </ul> <p>There are no issues arising to date from our work that we wish to bring to the attention of management or the Audit Committee.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p><b>(Green) - TBC</b></p>

### Assessment

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

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £284m	<p>Other land and buildings comprises £218.6 of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings £65.4m are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end.</p> <p>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.</p> <p>The Council has a process in place to assess assets not revalued in year. Based on the revaluation movements observed for assets revalued as part of the rolling cycle, the valuers assess whether other assets within each group are likely to show a significant movement and if so, the valuers will revalue further assets within the group.</p> <p>There is another continuing process to assess the movement between the valuation date (1 January 2022) and the year end. For specialised assets, this assessment is based on the movement in appropriate indices. For non-specialised assets, which are valued using market based inputs, an exercise is undertaken to ensure key inputs remain appropriate. Revaluations at the year end are processed when deemed appropriate by the valuers to give management assurance that the closing current value is not materially different to its carrying value.</p> <p>The Council's Other Land and Buildings valuation as at 31 March 2022 was £284m, a net increase of c£11m from 2020-21 (£272.8m).</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's in-house valuer, to be competent, capable and objective</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report</li> <li>Further to our previous year recommendation (see Appendix B), management has changed the valuation date of revalued assets to 1 January which is closer to the year end date than the previous date of 1 April. This is an improvement from previous years in order to obtain a valuation closer to the year end date. We understand through responses at Appendix B, management would explore the scope to get the valuation date closer to the year end date going forward. This would further enhance the valuation estimate process.</li> <li>The valuation methods remain consistent with the prior year</li> <li>In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) property valuation report and held discussions with our own, auditor's valuation specialist. These discussions are still on going. We have also challenged management and 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 to make our conclusions before we issue the audit opinion.</li> </ul>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious <b>(Green) - TBC</b></p>

## 2. Financial Statements - key judgements and estimates

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Net pension liability £338.3m

Per the draft accounts, the Council's net pension liability at 31 March 2022 is £338.3m (PY £464.8m) comprising the Council's share of the South Yorkshire Local Government Pension Scheme.

The Council engaged Hymans Robertson 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 £126.5m net actuarial gain during 2021-22. The improved position results mainly from an increase in pension asset values of £100m and a reduction in pension liabilities of £26.6m.

- We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective
- We have performed additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 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 under overall findings section that they are comfortable with the methodologies used by Hymans Robertson to establish and produce reasonable assumptions as at 31 March 2022 for all employers.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	Assumption appears reasonable	● Green
Pension increase rate	3.2%	Assumption appears reasonable and methodology appropriate.	● Green
Salary increase rate	4.2%	In line with expectation.	● Green
Average Life expectancy – Males (at age 65)	Pensioners: 22.6 Non-pensioners: 24.1	Overall mortality assumptions appear reasonable.	● Green
Average Life expectancy – Females (at age 65)	Pensioners: 25.4 Non-pensioners: 27.3	Overall mortality assumptions appear reasonable.	● Green

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2021-22 to the valuation method

We consider management's process is appropriate and key assumptions are neither optimistic or cautious  
(Green) TBC



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Grants Income:</b>  <b>£523.3m</b>  <b>Grants &amp; Contributions received in Advance</b>  <b>£43.5m</b>	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> <li>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.</li> </ol> <p>There may be judgements over the accounting treatment. Different conclusions may be reached by the Councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p>	<p>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.</p> <p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>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</li> <li>for the samples selected, 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</li> <li>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</li> <li>assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing.</li> </ul> <p>Our work to date has identified a misclassification of Grant Income in the CIES as indicated at page 11. Considering the amounts were material (see page 11) and this was an error, it is within the scope of disclosure prior period adjustment accounting principles. Management has adjusted for this in the revised accounts and disclosed appropriately. As this is a disclosure amendment, this has no impact to CIES surplus /deficit or the Council's General Fund Reserves for the year ended 31 March 2022</p> <p>No other issues have been identified in recognition and presentation of Grant Income in line with the Code</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p><b>(Green) - TBC</b></p>

# 2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Minimum Revenue Provision charged to General Fund</b> <b>£7.3m</b> <b>(PY: 6.6m)</b>	<p>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</p> <p>The year end MRP charge to general fund reserves was £7.3m. 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:</p> <ol style="list-style-type: none"> <li>1. Regulatory Method</li> <li>2. Capital Financing Requirement Method</li> <li>3. Asset Life Method</li> <li>4. Depreciation Method</li> </ol> <p>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.</p> <p>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.</p> <p>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.</p> <p>This re-profiling resulted a significant overpayment, that has since been recovered via an annual MRP 'holiday' (in line with the CIPFA Prudential Code &amp; 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.</p>	<ul style="list-style-type: none"> <li>• We have reviewed the Council's approach to MRP as described on the left and overleaf on pages 19.</li> <li>• The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent.</li> <li>• There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by Council in 2014-15. However, the existing policy is reported, discussed and approved by Council every year as part of budget setting process, covering capital expenditure plans and prudential indicators.</li> <li>• 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 2021-22 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 £7.3m and CFR General Fund amount was £551m - at the year end, which gives 1.33% (PY: 1.20%).</li> <li>• This is understandable, 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.</li> </ul>	<p>We consider management's current process is appropriate and key assumptions are neither optimistic or cautious</p> <p><b>[Green]</b></p>



## 2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (continued)	<p>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 and 2021-22 with the process concluded, all available MRP holiday has now been utilised.</p> <p><b>MRP on an Annuity Basis - Statutory guidance, method 3(b)</b>  As indicated at page 20 (accounting policy note 14) , 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</p> <p>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.</p> <p>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.</p>	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.	<p>We consider management's current process is appropriate and key assumptions are neither optimistic or cautious  <b>(Green)</b></p>

## 2. Financial Statements - other communication requirements

We set out alongside 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
<b>Matters in relation to fraud</b>	<p>We have discussed the risk of fraud with the Strategic Director – Finance and Customer Services (s151) and Assistant Director Financial Services. Our Informing Risk Assessment questionnaire that captures fraud matters has gone through the Audit Committee for consideration and comments.</p> <p>We have not been made aware of any other significant incidents in the year and no other issues have been identified during the course of our audit.</p>
<b>Matters in relation to related parties</b>	<p>We are not aware of any related parties or related party transactions which have not been disclosed.</p> <p>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</p>
<b>Matters in relation to laws and regulations</b>	<p>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.</p>
<b>Written representations</b>	<p>The proposed letter of management representation is included at Appendix F.</p>
<b>Confirmation requests from third parties</b>	<p>We requested from management permission to send a confirmation request to the Council's bankers, 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 confirmations.</p>
<b>Accounting practices</b>	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.</p> <p>Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.</p>
<b>Audit evidence and explanations / significant difficulties</b>	<p>As in previous years, we have continued to experience good co-operation and engagement from the Council during our 2021-22 audit.</p> <p>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 for all information and explanations requested.</p>

## 2. Financial Statements - 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	<p data-bbox="871 464 2056 608">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.</p> <p data-bbox="871 619 2016 673">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 986" style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul> <p data-bbox="871 1000 2056 1144">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:</p> <ul data-bbox="871 1158 1973 1297" style="list-style-type: none"> <li>• the nature of the Council and the environment in which it operates</li> <li>• the Council's financial reporting framework</li> <li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1311 2051 1339">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1353 2051 1447" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work noted some disclosure omissions from the Annual Governance Statement and other minor presentational matters. Our review of the Narrative report identified some minor presentational matters. These 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</p> <p>Overall, no material inconsistencies have been identified.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• if we have applied any of our statutory powers or duties</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness(es).</li> </ul> <p>We have nothing to report on these matters. Our Value for Money work is underway and is expected to be completed by the end of January 2023.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out certain procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The guidance for WGA 2021-22 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.</p> <p>In 2022, the NAO increased the audit threshold to £2bn expenditure for 2020-21 WGA work, removing the requirement for an audit of the Council's prior year WGA submission. Should the threshold remain in place for 2021-22 WGA work, it is unlikely the Council will require a WGA audit review.</p> <p>We will update the Audit Committee once the guidance on WGA 2021-22 work is published including the completion timetable.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2021-22 audit of the Council in the audit report, as detailed at Appendix E, until we have completed any required work on the WGA consolidation exercise mentioned above, completed our Value for Money responsibilities with the issue of the Auditor's Annual Report, and received the Statutory Instrument in respect of Infrastructure Assets.</p> <p>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 WGA work and anticipated guidance on infrastructure assets.</p>



# 3. Value for Money arrangements

## Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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:



### 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. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report. We expect to issue our Auditor's Annual Report by the end of January 2023. This would be ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report 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. We identified one possible significant weakness and our work is still ongoing in relation to this risk.

## Possible Significant Weakness – Implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham

As reported to you in our Audit Plan in July 2022, our planning and risk assessment work identified one possible significant weakness in the Council's arrangements as a result of the Ofsted and CQC inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham.

### Background to this issue:

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. This was to assess the effectiveness of the borough in implementing the special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014. The inspection was led by Ofsted, supported by a team of inspectors from the CQC. The report was issued in July 2021. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCI) determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness in the borough's practices and arrangements.

HMCI also determined that the Council and the then Rotherham Clinical Commissioning Group (now within NHS South Yorkshire Integrated Care Board) were jointly responsible for submitting the written statement to Ofsted. In reaching their judgements, inspectors took account of the impact of the Covid-19 pandemic on the SEND arrangements in the borough. More detailed findings of this inspection and the full report can be obtained from Ofsted website.

As a result of these findings from Ofsted and CQC, our view is there is a possible significant weakness in the Council's arrangements for 2021-22 in relation to improving economy, efficiency and effectiveness in Rotherham in implementing special educational needs and /or disabilities (SEND) reforms as set out in the Children's and the Families Act 2014.

We made a key recommendation on this issue in our 2020-21 Auditor's Annual Report (AAR) on the Council's VFM arrangements. We noted that as part of our 2021-22 VFM work we will:

- review the Council's actions against the findings from the Ofsted report and our key recommendation
- review communications between the Council and CQC/Ofsted and other key stakeholders regarding the Council's actions to improve and implement SEND reforms.

Our work in this area is currently ongoing and a summary of our findings will be included in our Auditor's Annual Report in January 2023.

## Other areas of focus – DSG deficit

We have not identified any other risks of significant weaknesses to date. We have continued our review of your arrangements, including reviewing your Annual Governance Statement and other key internal and external publications in order to inform our Auditor's Annual Report.

Whilst we have not identified any possible significant weaknesses in arrangements other than described on this page, we are considering, as part of our VFM work, the progress and arrangements in place in actioning the DSG deficit recovery plan.

The Council has agreed a way forward on eliminating the cumulative DSG deficit by 2025-26. This agreement with the Department for Education (DfE) is called a 'Safety Valve' agreement. As a result of the agreement, during 2021-22 the Council received funding of £8.5m from the DfE which brought the closing DSG deficit balance down to £12.8m at 31 March 2022. Subject to Council's full compliance in line with the agreement, the department has agreed to fund the Council between 2021-22 to 2025-26 as part of this deficit elimination plan. This is a good outcome, demonstrating the Council's continuing and positive engagement with the DfE and other stakeholders. We will undertake further work on the Council's 2021-22 performance, including the DSG deficit as part of our value for money review.

From a financial statement's perspective, we identified a prior period adjustment in relation to accounting for the cumulative DSG deficit. This is reported at page 13 (section 2) and at Appendix C detailing the adjustment and not repeated here. This adjustment does not impact our VFM work.

## Impact on 2021-22 Financial Statement Audit

It is important to note that our VFM risk assessment will continue until we issue our 2021-22 Auditor's Annual Report in January 2023.

We have considered the possible significant weakness on SEND and our other area of focus on the DSG deficit highlighted on this page and how that would impact our ISA(UK) audit of the Council's financial statements for the year ended 31 March 2022.

Our view is these issues have no material impact on our ISA(UK) audit work and therefore would not restrict us on completing the audit of the financial statements and issuing our 2021-22 audit opinion on the Council's accounts.

## 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)



## 4. Independence and ethics

### 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
<b>Audit related continued:</b>			
Certification of Housing Benefit Claim	*31,900	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is *£31,900 in comparison to the total fee for the audit of £179,188 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.
		Self review (because GT provides audit services)	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.
<b>Non-audit related:</b>			
None	-	-	-

#### NOTE on Housing Benefit fee:

\* The £31,900 is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – 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 approved by the Audit Committee. None of the services provided are subject to contingent fees.



# Appendices

# Appendix A- IT general controls assessment findings

We have identified the following recommendations for the Council as a result of issues identified during the course of our IT Audit. Our IT Auditors have agreed the recommendations with management and we will report on progress on these recommendations during the course of our 2022-23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Northgate – Controls Findings

	Assessment	Issue and risk	Recommendations
1.	Medium	<p><b>Segregation of duty conflicts within Northgate:</b> During our review, we noted that on two application administrative accounts, the users perform duties in business processes/financial reporting. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. The administrative accounts include :</p> <ul style="list-style-type: none"> <li>- TECHAA</li> <li>- TECHAG</li> </ul> <p><b>Risks</b> A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> <li>• unauthorised changes being made to system parameters</li> <li>• creation of unauthorised accounts,</li> <li>• unauthorised updates to their own account privileges</li> <li>• deletion of audit logs or disabling logging mechanisms.</li> </ul>	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</p> <p><b>Management response:</b> We do not believe that our processes need to be adjusted, we need to retain admin access to at least 2 users in order to maintain the system and for cover/continuity. There are controls in place to ensure that system access rights are adequately managed and controlled and therefore we do not believe these need to be changed.</p> <p><i>System parameter changes are checked by other teams' staff and are usually covered by external audit. They correspond with parameter values supplied by valuation lists for Council Tax and Business Rates along with DWP Circulars. Any erroneous changes would be noticed by system users in the processing areas. This would also apply to the creation of unauthorised accounts and unauthorised updates to their own account privileges.</i></p> <p><i>Audit logs are deleted in a controlled manner, being deleted after 3 years using a specific batch scheduler job. Logging mechanisms are only disabled for year end processing in accordance with guidance provided by the software supplier.</i></p>
2.	Medium	<p><b>Lack of review of audit logs for Northgate:</b> During our review, we noted that audit logs are not maintained for Northgate, no monitoring is performed for activities performed for privileged users/failed logins.</p> <p><b>Risks</b> Without formal and routine reviews of security event logs, inappropriate and anomalous activity (e.g., repeated invalid login attempts, unauthorised transactions) may not be detected in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will go undetected by management.</p>	<p>Management should formally review critical information security events logs for the purpose of detecting inappropriate or anomalous activity through use of generic accounts. This should include:</p> <ul style="list-style-type: none"> <li>• login activity</li> <li>• unauthorized access attempts</li> <li>• privileged user activity.</li> </ul> <p>These reviews should ideally be performed by knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p> <p><b>Management response:</b> We do not believe that our processes need to be adjusted, managers already provide monthly sampling reviews of accounts to identify any anomalies.</p> <p><i>This is mitigated by performance management checks which are carried out by the Council Tax, Business Rates, Benefits and Account Management teams. Key anomalies would be identified and audit logs are checked periodically by managers.</i></p>

# IT general controls assessment findings

## Northgate – Controls Findings

Assessment	Issue and risk	Recommendations
3. <b>Medium</b>	<p><b>Lack of formal change management policy and /or procedures</b></p> <p>During our review, we noted that User Acceptance Testing (UAT) testing was performed but there were no formal UAT approvals provided. Furthermore, no formal document approvals from the ICT Change Officer were available before the change got deployed into production.</p> <p><b>Risks</b></p> <p>A lack of consistent application of change management processes and controls could lead to a loss of data integrity, processing integrity and/or system down-time.</p>	<p>Management should ensure that a comprehensive change management policy and associated procedures are documented and approved at the appropriate level. This will clarify the approach so that changes are consistently logged, monitored, tested, approved and monitored throughout the change lifecycle.</p> <p><b>Management response:</b></p> <p>We accept the recommendation and propose to make sure that approvals are provided and recorded to formally accept UAT prior to implementation.</p> <p><i>Release upgrades are managed by senior officers within the Technical and Control team, who liaise closely with RMBC ICT colleagues. Confirmation of satisfactory UAT Testing is confirmed by email in accordance with the Implementation Plan. UAT testing is carried out by NEC and also selected LA Beta testers prior to being made available to all customers. If any problems are identified during UAT testing, the upgrade would be postponed until a later date after any issues have been resolved.</i></p>
4. <b>Low</b>	<p><b>Weak password configuration settings for Northgate</b></p> <p>During our review, we noted that the “Minimum Password Length” and “Min Case” parameter configured in Northgate was not in line with Rotherham’s current Password Policy.</p> <p><b>Risks</b></p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular:</p> <ul style="list-style-type: none"> <li>- Short passwords can easily be guessed.</li> <li>- If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.</li> </ul>	<p>Management should ensure that password settings configured on the Northgate are in line with the organisation's password policy.</p> <p><b>Management response</b></p> <p><i>The “Min Password Length” has now been increased to 12 at release 7.4.0 in line with the current RMBC Password Policy.</i></p> <p><i>The “Min Case” parameter is set to 1 and the “Min Alpha” parameter is set to 2, which means that a password must have at least one English Uppercase and one English Lowercase character (a to z) and conforms with the current RMBC Password Policy.</i></p>

# IT general controls assessment findings

## E5 Financials – Controls Findings

Assessment	Issue and risk	Recommendations
5. Medium	<p><b>Segregation of duty conflicts within E5 Financials</b></p> <p>We noted that there were three business users with administrative access to E5 Financials, resulting in segregation of duties conflict.</p> <ul style="list-style-type: none"><li>• Finance Officer</li><li>• Finance Systems Manager</li><li>• Finance Officer</li></ul> <p>Additionally, there were five users with administrative access who belonged to the Advanced staff (Third Party). They were supposed to be disabled after use but were still active. On inquiry we were informed that 2 out of 5 accounts are now disabled but we were not provided the relevant supporting evidence for the same.</p> <ul style="list-style-type: none"><li>• QSPCPR</li><li>• QSPDRO</li><li>• QSPGPE</li><li>• QSPKWI</li><li>• QSPSBE</li></ul> <p>Further, there is 1 generic/service accounts for which the password is not changed after each use. the user activity is logged and user can be monitored using the event log but not down to the individual user who actually logged in.</p> <ul style="list-style-type: none"><li>• SYSTEM</li></ul> <p><b>Risks</b></p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"><li>• unauthorised changes being made to system parameters</li><li>• creation of unauthorised accounts,</li><li>• unauthorised updates to their own account privileges</li><li>• deletion of audit logs or disabling logging mechanisms.</li></ul>	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles.</p> <p>Management should adopt a risk based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</p> <p><b>Management response</b></p> <p><i>The system requires that there is at least 1 administrator and for business continuity there have always been 2 people with administrator access. Access has been granted to a new member of staff that will shortly be taking over the administrator role but requires concurrent access within the handover timescale for training purposes.</i></p> <p><i>Users from Advanced who respond to support calls at the time of audit will show their id's as open. The system will automatically disable them after 90 days inactivity. We cannot remove their access as it's required with them being a managed service.</i></p> <p><i>The SYSTEM account is required for background processing. The person who logged on should have requested their own QSP*** account as they are Advanced Support staff. This was fed back to Advanced to ensure the correct process is followed in future. RMBC don't have access to change the password with it being a default e5 account and the account cannot be disabled otherwise overnight processes fail.</i></p> <p><i>This has always been the case and someone always has to have full access to this system or we couldn't amend anything for other user changes.</i></p> <p><i>The controls we have in place are as secure as they can be within the remit of the system.</i></p>

# IT general controls assessment findings

## E5 Financials – Controls Findings

Assessment	Issue and risk	Recommendations
6. Low	<p><b>Weak password configuration settings for E5 Financials</b></p> <p>During our review, it was noted that the “Minimum Password Length” parameter configured in E5 Financials was not in line with Rotherham’s current Password Policy. Further it was also noted that the “Minimum Number of Lowercase” parameter was also not configured in the E5 Financials.</p> <p><b>Risks</b></p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular:</p> <ul style="list-style-type: none"><li>- Short passwords can easily be guessed</li><li>- If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.</li></ul>	<p>Management should ensure that password settings configured on E5 Financials are in line with the organisation's password policy.</p> <p><b>Management response</b></p> <p><i>E5 will only allow a maximum of 8 characters for the password length and as such, we therefore have a minimum AND maximum length of 8. Previous Audits have recommended the policy we currently have in place. This aims to align to RMBC IT policy as closely as possible within system restrictions. We have purchased software from Advanced to enable single sign-on and will be implementing it next financial year as part of the e5 upgrade. This will bring e5 in line with RMBC IT policy.</i></p> <p><i>The system doesn’t have a facility to set a minimum number of lower case letters in the password but we do have the ‘mixed case’ setting switched on which essentially is enforcing at least 1 lower case character.</i></p>

# Controls for which assurance could not be provided

## Northgate – Controls Findings

7.	Control	Control Name and Description	Reason / Justification
	<b>No assessment – we were unable to test administrative privileges</b>	<p>Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles.</p> <p>These includes the below generic accounts :</p> <ul style="list-style-type: none"><li>• Esteem</li><li>• CM_QUEUE</li><li>• DTI</li><li>• FDW</li><li>• FRB</li><li>• FSC</li><li>• NESCA</li><li>• NPS_API_USER</li><li>• OP\$ORACLE</li><li>• PORTAL30</li><li>• PORTAL30_SSO</li><li>• RB</li><li>• SEIBEL</li><li>• RBSX3</li><li>• RISKBV</li></ul>	<p>We were unable to test administrative privileges as there was no information provided regarding the role that grants administrator access, last logon date of the account, the purpose of the account, if the password for this account is secure and if the activity is logged and monitored for this account has been provided. Additionally, the password is also not changed after each use.</p> <p><b>Management Response</b></p> <p><i>The 14 generic users are internal system user ids, some of which relate to modules that RMBC have not purchased a licence key for. Many of them have passwords that are known only to NEC IT staff and no RMBC staff have knowledge of them.</i></p>

# Appendix B: Follow up of prior year recommendations

We identified the following issues in our 2020-21 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2020-21 Audit Findings (ISA260) Report. The Council has provided an update against the issues and these are noted below.

Assessment	Issue and risk previously communicated	Recommendations
<b>Medium</b> [completed – see GT comment ]	<p><b>(1) Minimum Revenue Provision:</b></p> <p>We have reviewed the Council's approach to MRP as described on pages 17 and 18.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p><b>Management response November 2021:</b></p> <p><i>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.</i></p> <p><b>Management update July 2022:</b></p> <p><i>The Council continues to keep its MRP policy under review, ensuring that it is in accordance with statutory guidance and is considered to be reasonable and appropriate.</i></p> <p><b>GT update November 2022:</b></p> <p><i>No changes have occurred to the MRP policy in 2021-22 or for many years. (see further work performed at pages 18-19). We will close this recommendation until such a change happens in a future period. Management indicates that it continues to review the policy without making any such changes for now. Once any changes are proposed, we would discuss those with management in the future.</i></p>

Assessment	Issue and risk previously communicated	Recommendations
<p><b>Medium</b></p> <p>(on going – but initial actions already taken by management in 2021-22 . See GT comments )</p>	<p><b>(2) Other Land and Buildings Valuation date:</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March.</p> <p><b>Management response November 2021:</b></p> <p><i>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.</i></p> <p><b>Management update July 2022:</b></p> <p><i>The Council has reviewed its approach to the valuation of Land and Buildings, to identify asset classifications that can be valued at a later date in the financial year than 1st April, in order to help de-risk the valuation estimates. A result of this review has been that the Council have valued a number of assets, valued on a Depreciated Replacement Cost (DRC) basis, as at the 1 January 2022. Looking forward, the Council will continue to move valuation dates to later in the financial year where possible, however, for many of the Council's assets due for valuation this was not possible for 2021-22 as they had already been valued before this audit recommendation was presented to Audit Committee as part of the ISA260 for the Council's 2020-21 accounts.</i></p> <p><b>GT update November 2022:</b> <i>We are pleased that the management has actioned this and continues to explore to further extend this closer to the year end date ( 31 March). We believe this would further enhance the process of other land and buildings valuation estimate as at the year end.</i></p>
<p><b>Low</b></p> <p>(closed – but reported in the Audit Finding Report. See GT comments)</p>	<p><b>(3) Over disclosure of Related Party Transactions – Note 17 to the statement of Accounts:</b></p> <p>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.</p> <p>In all these circumstances, the Council had over-disclosed when some of these disclosures were not required to be reported under IAS 24.</p>	<p>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.</p> <p><b>Management response November 2021:</b></p> <p><i>Noted. The Council is comfortable with the level of information disclosed within the Statement of Accounts and does not intend to adjust this note.</i></p> <p><b>GT update July 2022:</b> Subject to our 2021-22 audit findings, this may be a reporting matter again in our ISA260 Report in November 2022.</p> <p><b>GT update November 2022:</b> <i>The over disclosure continues in the financial statements in relation to related party transactions. We have reported this in the Audit Finding Report again in 2021-22.</i></p>



# C. Audit Adjustments

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

Impact of adjusted misstatements - All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
<p>1.</p> <p>Dr Opening Unusable reserves 1 April 2021 (Balance Sheet and Movement in Reserves Statement ) – £21,258k</p> <p>Cr Opening Useable reserves 1 April 2021 (Balance Sheet and Movement in Reserves Statement ) – £21,258k</p> <p>See page 13 for more information – this relates to the Prior Period Adjustment in relation to DSG Adjustment Account.</p>	N/A - See detail section	See detail column for the impact	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22
<p><b>Impact</b></p> <p>This would impact the Balance Sheet, Movement in Reserves Statement, Note 36 (Useable Reserves) and note 37 (Unusable Reserves)</p> <p>As a result :</p> <p>(a) the useable reserves brought forward in MIRS (1 April 2021) will increase by £21,258k to £163,956k</p> <p>(b) the unusable reserves brought forward in MIRS (1 April 2021) would increase by £21,258k to £98,888k</p> <p>(c) No impact to total reserves brought forward and General fund reserves brought forward as at 1 April 2021</p> <p>(d) No impact on useable and unusable reserves carried forward as at 31 March 2022</p> <p>(e) No impact to total reserves carried forward and General fund reserves carried forward as at 1 April 2022</p> <p>(f) Accordingly, Movement in Reserves Statement (e.g. reserves brought forward), notes 36 and 37 will change to reflect the correct useable and unusable reserves brought</p>			
Overall impact (Carried forward to page 36)	N/A - See detail section	See detail column for the impact	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22

# C. Audit Adjustments

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

Impact of adjusted misstatements - All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail		Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
Brought forward from page 35		N/A - See detail section page 35	See detail column for the impact page 35	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1
2	Dr Depreciation – derecognition, disposals (Vehicles Plant and Equipment, Note 19) £17,758k Cr Derecognition – disposals (Vehicles Plant and Equipment, Note 19) £17,758k  - Removal of Vehicles, Plant and Equipment from the asset register that are fully depreciated with £Nil Net Book Value (NBV) and no longer used by the Council to gain economic benefits. There is no impact or change to the overall NBV of the Vehicles Plant and Equipment that remain at £26,351k as per draft accounts. No impact to the Balance Sheet, CIES and useable reserves.	N/A	N/A	N/A
3	Dr Taxation and Non Specific Grant Income (CIES) £9,822k Cr Cost of Services (CIES) £9,822k  See page 11 for more details as this is a PPA. This is the adjustment of PFI grant accounting within the two CIES headings as above. No impact to opening reserves as at 1 April 2021, useable reserves in 2021-22 draft accounts, CIES and Balance Sheet.	N/A	N/A	N/A
Overall impact		N/A	N/A	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1

# C. Audit Adjustments

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

Impact of adjusted misstatements - All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail		Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
Brought forward from page 36		N/A - See detail section page 35	See detail column for the impact page 35	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1
4.	Dr Assets Held for Sale      £2.1m Cr Investment property      £2.1m An Asset Held for Sale amounting £2.1m was incorrectly classified as investment property at the year end. This has been adjusted for by management.	N/A	N/A	N/A
5	Dr Surplus assets      £0.6m Cr Investment property      £0.6m A surplus asset amounting £0.6m was incorrectly classified as investment property at the year end. This has been adjusted for by management.	N/A	N/A	N/A
6	Dr Assets Held for Sale      £0.8m Cr Other land & buildings      £0.8m An Asset Held for Sale amounting £0.8m was incorrectly classified as Other land & buildings at the year end. This has been adjusted for by management.	N/A	N/A	N/A
Overall impact		N/A	N/A	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1

# 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 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	<p><b>Prior Period Adjustment (PPA)</b> – Notes 36 and 37 useable and unusable Reserves around DSG adjustment account and Movement in Reserves Statement (MIRS) - adjustment 1 page 35</p> <p>We requested the management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this in the final amended audited accounts.</p>	MIRS, notes 36, 37 and 16	To be checked in the final audited version of the accounts
2.	Disclosure	<p><b>Prior Period Adjustment (PPA)</b> – See page 11 and adjustment 3, page 36 for more details as this is a PPA of PFI grant accounting within the two CIES headings between Taxation and Non Specific Grant Income and Cost of Services. No impact to opening reserves as at 1 April 2021, useable reserves in 2021-22 draft accounts, CIES and Balance Sheet.</p> <p>We requested the management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this and the final amended audited accounts.</p>	CIES, note 7 and note 8	To be checked in the final audited version of the accounts
3.	Disclosure	<p><b>Disclosure Prior Period Adjustment (PPA)</b> – Financial Instruments (note 24) – Fair Value disclosures. See further details on page 13 (a) and (b) , which are not repeated here.</p> <p>We requested management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this and the final amended audited accounts.</p>	Note 24, Financial Instruments	To be checked in the final audited version of the accounts
4.	Disclosure	<p>Our review of the draft <b>Annual Governance Statement (AGS)</b> and <b>Narrative Report</b> highlighted some proposed disclosure changes and compliance with the relevant guidance.</p> <p>Management has agreed to update in the final version of the accounts.</p>	AGS and Narrative Report (separate documents)	To be checked in the final audited version of the accounts
5	Disclosure	Our work indicated that <b>provisions note 35</b> did not agree to the Balance Sheet total in terms of Short and Long Term provisions. As a result, the table at note 35 was amended to reflect to correct Short Term (£2,576k) and Long Term (£6,336k) provisions. Total provisions remained unchanged and this is a disclosure amendment only . No impact to the useable reserves.	Note 35 – Provisions	YES

# C. Audit Adjustments

## Misclassification and disclosure changes

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

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
6.	Disclosure	Our work on <b>Property , Plant and Equipment</b> identified that there were significant amount of £Nil net book value assets under Vehicles, Plant and Equipment. (VPE). After further investigation, management amended this note as indicated on adjustment 2 page 36. The adjustment has no impact to the overall net book values of VPE. However, on gross terms it was significant (£17.758m) as reported on page 36. This matter was also reported to the September Audit Committee by management as an audit finding but at that point the investigation was not completed and the amounts were not quantified. We requested management to provide an additional text on this on note 19 considering the amounts involved. Management has agreed to disclose this and the final amended audited accounts.	Note 19, PPE	To be checked in the final audited version of the accounts
7.	Disclosure	<b>Financial Instruments (FI)</b> - our work identified the following disclosure matters in this note: (a) Totals presented in the sub-notes does not reconcile to the main table. (b) Disclosure of Fair Value hierarchy against each financial asset/liability. (c) Disclosure of some debtors/creditors to ensure all balances that meet FI definition are accurately disclosed in this note We requested the management to update this note in line with above matters. Management has agreed to disclose this and the final amended audited accounts.	Note 24	To be checked in the final audited version of the accounts
8.	Disclosure	We identified some disclosure misstatements in the note covering the <b>Staff Remuneration</b> : - In exit packages, we have identified an issue in the presentation of current year figures. There is one package in the £40k-£60k category with a total of £47k - Some irrelevant disclosures for 2021-22. We requested management to update this note in line with above matters. Management has agreed to disclose this in the final amended audited accounts.	Note 14 , Staff Remuneration	To be checked in the final audited version of the accounts
9.	Disclosure	<b>Audit fees</b> paid to Grant Thornton was updated to reflect the 2021-22 grant certification fees in line with Appendix D of this report.	Note 15, Audit Fees	To be checked in the final audited version of the accounts
10.	Disclosure	<b>Dedicated School Grant (DSG) Note:</b> As a result of adjustment 1 on page 35 and other minor disclosure issues in this note, the note was updated in the final version of the audited accounts to reflect the LG Code guidance.	Note 16, DSG	To be checked in the final audited version of the accounts
11.	Disclosure	We identified some disclosure issues in the <b>Capital Commitments</b> note. The note was updated to correct the following:  (a) Narrative disclosure amended so comparative figures agree to the prior year audited accounts. It was amended from £121.445m to £88.611m.  (b) Note 19(e) amended from £13,268k to £17,667k to ensure the disclosure note casts correctly.	Note 19 (e) , Capital Commitments	To be checked in the final audited version of the accounts

# C. Audit Adjustments

## Misclassification and disclosure changes

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

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
12.	Disclosure	<b>2021-22 MIRS:</b> The Transfer to Unusable DSG Adjustment Account (£12,840k) was separately reported in the draft accounts. According to LG Code, there is a set format for the disclosure of MIRS (a primary statement) and such a separate line is not required. This should be reported under “Adjustments from income and expenditure charged under the accounting basis and funding basis”. This has now been amended in the final audited financial statements .	Movement in Reserves (MIRS) statement	✓
13.	Disclosure	Our work on <b>related party transactions (RPTs)</b> 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.	Note 17, RPT	No- this has no impact to the audit opinion to be issued
14.	Disclosure	<b>Related Party Transactions:</b> BDR & Magna Trust disclosures – our work indicated that Council’s relationships with these entities have not been very clearly disclosed in note 17, in line with relevant accounting principals.  Management has now further clarified the narrative to make these clear in line with the accounting principals.	Note 17, RPTs	✓
15.	Disclosure	<b>Note 19(d) Revaluations and Impairment:</b> Our work highlighted, this note included incorrect balances which indicated as ‘carried at historical cost’ in relation to ‘Other Land and Buildings’ when some assets have been previously revalued as part of the Council’s rolling valuation process. These should not be disclosed as ‘carried at cost’. Overall as a result of our findings, other land and buildings ‘carried at historical cost’ amount changed by £16,894k from £25,354k to £8,460k .  It also did not include Assets under Construction of £80,102k which are carried at cost. Further to management investigations and our audit challenges, this note was updated to ensure all assets valued are not shown in the line ‘valued at historic cost’.  Including assets under construction omissions and other issues as highlighted above, this ‘carried at historical cost’ line was changed by £45,450k from £370,518k to £415,968k. This has now been adjusted in the final audited version of the accounts.	Note 19(d)	✓
16.	Disclosure	Our review of Narrative Report indicated that investments per the Balance Sheet was not clearly reported in the Narrative Report. As a result of our work, management has further enhanced the narrative to explain how investments per the Balance Sheet reconcile to the narrative report.	Narrative Report and Note 24	✓
17.	Disclosure	Our review of Accounting Policies highlighted that accounting policies in relation to Financial Instruments were not complete in line with Code Guidance. As a result, amendments to financial instruments accounting policies have been made to ensure policies disclosed are compliant with the Code.	Statement of accounting concepts and policies – Financial Instruments	✓

# C. Audit Adjustments

## Misclassification and disclosure changes

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

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
18.	Disclosure	<ul style="list-style-type: none"> <li>our review of the pensions disclosures within Note 18 Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity shares, complex derivatives where there is no readily available market information and need to make more assumptions on the estimate valuation) around the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added based on South Yorkshire Pension Fund (SYPF) 2021-22 valuations reported in the SYPF audited accounts.</li> <li>The recognised gains and losses reported in the CIES around the actuarial gains were £174.36m . This was incorrectly disclosed as £137.02m (a difference of £37.34m) in note 18 in the draft accounts. This has now been updated in the amended accounts.</li> <li>The principle assumptions used by the actuary as reported in note 18 did not fully agree to the actuary report in relation to rates of CPI inflation, increase in salaries and pensions and discounting scheme liabilities . This has now been updated in the amended accounts.</li> </ul>	Note 18, Pensions	✓
19	Disclosures	Other minor presentational adjustments were made throughout the financial statements on various pages to further improve disclosures.	Various	✓

# C. Audit Adjustments

## Impact of unadjusted misstatements from 2020-21

The table below provides detail of adjustments identified during the 2020-21 audit which were not been made within the final set of financial statements due to their immaterial nature. We can confirm that these have been accounted for/adjusted in 2021-22 financial statements. There is no impact of this to our 2021-22 audit and the audit approach. See updated below in the right hand column.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting 2020-21	Update in 2021-22
<p>(1) 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.</p> <p>Therefore, the additional depreciation charged in 2020-21 was £600k.</p> <p>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.</p>	See detail column	See detail column	Nil	<p>Management does not consider these amounts to be material to the Council's accounts.</p> <p>We have obtained management representation on these unadjusted misstatements through the Letter of Representation.</p>	Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
<p>(2) A surplus asset amounting £2m was incorrectly classified as investment property at the year end.</p>	No impact, see detail column	Dr surplus assets and Cr, Investment Properties in note 19	Nil		Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
<p>(3) Asset demolished during 2020-21, with a carrying value £851k incorrectly included on the balance sheet. The impact of this would be to reduce Land and Buildings PPE assets by £851k. The asset had a revaluation reserve (RR) of, £410k. This amount should have been charged to RR.</p> <p>The remaining £441k should have been charged to CIES and then reversed out via the MIRS with no impact to the General Fund Reserve and CIES.</p>	No impact , see detail column	See detail column	Nil		Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
<b>Overall impact</b>	See detail column	See detail column	None		None



# D. Fees

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	£179,188	£179,188
<b>Total audit fees (excluding VAT)</b>	<b>£179,188</b>	<b>£179,188</b>

<b>Non-audit 'audit related' fees for other services:</b>	<b>Proposed fee</b>	<b>Final fee</b>
Certification of Pooling Housing Capital Receipts return	£31,900	£31,900
<b>Total non-audit fees (excluding VAT)</b>	<b>£31,900</b>	<b>£31,900*</b>

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

## Note on Housing Benefit fee:

\* The £31,900 proposed above is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – where the work is fully undertaken by Grant Thornton

# E. Audit opinion – update

We anticipate we will provide the Council with an unmodified ‘clean’ audit report – see below

The Statutory Instrument is expected to resolve the infrastructure accounting issue across the sector (see pages 3 and 12) and should all other aspects of the audit be concluded appropriately, we would expect to issue a clean (unqualified) audit opinion at that time.

# F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

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

29 November 2022

Dear Sirs

**Rotherham Metropolitan Borough Council**  
**Financial Statements for the year ended 31 March 2022**

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 2022 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 2021/22 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 2021/22 ("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 Council 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. 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.

# F. Management Letter of Representation (draft)

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

vii Except as disclosed in the Council 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 financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

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

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

xiii 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 considered the prior period adjustments reported in your Audit Finding Report. The Council's financial statements have been amended and appropriate disclosures have been made in line with relevant accounting principles for these prior period adjustments. There are no other prior period errors to bring to your attention.

xv 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 the Council 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

# F. Management Letter of Representation (draft)

xvi We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvii The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

## Information Provided

xix 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, from whom you determined it necessary to obtain audit evidence.

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

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

xxii 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.

xxiii 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

xxiv 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.

xxv 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.

xxvi 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.

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

xxviii *Any other matters that the auditor may consider appropriate – TBC before issuing the audit opinion*

# F. Management Letter of Representation (draft)

## Annual Governance Statement

xxix 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

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

## Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 29 November and fully approved and signed off by the relevant members at the Audit Committee meeting on 29 November 2022.

Yours faithfully

Name..... Name .....

Position..... Position .....

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

Signed on behalf of the Council

# G. Audit letter in respect of delayed VFM work

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

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

29 November 2022

Dear Cllr Baker- Rodgers,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government at the same time as concluding the accounts opinion.

Unfortunately, as in the prior year, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our 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. This is intended to help ensure as many opinions on the financial statements as possible could be issued in line with national timetables and legislation.

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 now expect to publish our report no later than the end of January 2023.

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





## METROPOLITAN BOROUGH OF ROTHERHAM

## STATEMENT OF ACCOUNTS 2021/22

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Council is required:

The Authority is required to:

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

Certificate

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 29 November 2022.

Signed on behalf of Rotherham MBC

Audit Committee Chair  
29 November 2022

### 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 2022 and of its income and expenditure for the year then ended.

**Judith Badger CPFA**  
**Strategic Director - Finance and Customer Services**  
**29 November 2022**

## Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2022 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 2021/22 financial statements are detailed on Page 11;
- **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 110) – This Account summarises the income and expenditure in respect of the provision of local Council housing accommodation. Councils' are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 118) – By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Council during the accounting period and the distribution of these funds.

The Council's financial position is reported through the:

- **Balance Sheet** (Page 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 **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 continued to see an increase in gross expenditure and income, largely as a direct result of the Covid-19 response. Expenditure incurred in providing the Council's response and delivery of Governments various Covid-19 support schemes was offset by an increase in Government grant income in relation to the Covid pandemic.

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Cost £000		2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Cost £000	Notes
119,477	(53,832)	65,645	Adult Care and Housing	131,762	(62,699)	69,063	48
67,969	(83,756)	(15,787)	Local Authority Housing (HRA)	79,241	(85,771)	(6,530)	
119,670	(47,582)	72,088	CYPS Excl Schools	127,849	(60,587)	67,262	
61,971	(60,798)	1,173	Schools	59,691	(55,314)	4,377	
84,139	(30,759)	56,979	Regeneration and Environment Services	94,802	(38,773)	56,029	
17,555	(16,744)	811	Public Health	19,939	(18,450)	1,489	
10,644	(3,248)	7,396	Assistant Chief Executive Office	11,267	(2,731)	8,536	
84,194	(60,627)	23,567	Finance and Customer Services	84,017	(57,246)	26,771	
26,512	(46,064)	(13,329)	Central Services	18,757	(45,954)	(27,197)	
592,131	(393,588)	198,543	Cost of Services	627,325	(427,525)	199,800	
36,658	(46)	36,612	Other Operating Expenditure	30,834	(3)	30,831	4
49,251	(1,607)	47,644	Financing and Investment Income and Expenditure	44,403	(1,804)	42,599	5
0	(261,708)	(261,708)	Taxation & Non-Specific Grant Income and expenditure	0	(268,278)	(268,278)	7
678,040	(666,771)	11,269	Deficit on Provision of Services	702,562	(697,610)	4,952	
		(41,383)	(Surplus) on Revaluation of Non Current Assets			(52,532)	37b
		(2,085)	Write down of Met Debt			0	37a
		20,489	Remeasurements of the Pensions Net Defined Benefit Liability/Asset			(174,360)	18
		(22,979)	Other Comprehensive Income & Expenditure			(226,892)	
		(11,710)	Total Comprehensive Income & Expenditure			(221,941)	

## 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 36) and 'unusable reserves' (which are not available for use and are detailed in Note 37). 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 £11.9m of Covid-19 grants held to fund the ongoing Council response to the pandemic, including £8.2m of S31 grants to support additional business rates relief provided during 2021/22 that will impact the General Fund in 2022/23.

2020/21	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
<b>Balance as at 1 April 20</b>	<b>32,017</b>	<b>17,116</b>	<b>16,971</b>	<b>15,974</b>	<b>16,370</b>	<b>98,448</b>	<b>(44,346)</b>	<b>54,101</b>	36/37
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(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	75,073	(17,160)	1,335	11,944	6,329	77,521	(77,521)	0	
<b>Increase / (Decrease) in Year</b>	<b>53,160</b>	<b>(6,516)</b>	<b>1,335</b>	<b>11,944</b>	<b>6,329</b>	<b>66,252</b>	<b>(54,542)</b>	<b>11,710</b>	
<i>Schools Balances transferred out on conversion to academy</i>	(744)					(744)		(744)	
<b>Balance as at 31 March 21 carried forward</b>	<b>84,433</b>	<b>10,600</b>	<b>18,306</b>	<b>27,918</b>	<b>22,699</b>	<b>163,956</b>	<b>(98,888)</b>	<b>65,068</b>	

2021/22	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) Balance including HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
<b>Balance as at 1 April 21</b>	<b>84,433</b>	<b>10,600</b>	<b>18,306</b>	<b>27,918</b>	<b>22,699</b>	<b>163,956</b>	<b>(98,888)</b>	<b>65,068</b>	36/37
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(1,532)	(3,420)	0	0	0	(4,952)	226,892	221,940	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(73)	3,346	1,267	(3,953)	2,656	3,243	(2,687)	555	
<b>Increase / (Decrease) in Year</b>	<b>(1,605)</b>	<b>(74)</b>	<b>1,267</b>	<b>(3,953)</b>	<b>2,656</b>	<b>(1,709)</b>	<b>224,205</b>	<b>222,496</b>	
<i>Schools Balances transferred out on conversion to academy</i>	(25)					(25)	(19)	(44)	
<b>Balance as at 31 March 22 carried forward</b>	<b>82,803</b>	<b>10,526</b>	<b>19,573</b>	<b>23,965</b>	<b>25,355</b>	<b>162,222</b>	<b>125,298</b>	<b>287,520</b>	



## Balance Sheet

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

2020/21 £000		2021/22 £000	Notes
1,237,952	Property, Plant and Equipment	1,311,184	19
9,096	Heritage Assets	7,891	23
26,599	Investment Property	20,872	20
7,255	Intangible Assets	5,426	21
190	Long Term Investments	190	29
993	Long Term Debtors	693	32
1,282,085	Long Term Assets	1,346,256	
0	Short Term Investments	177,000	24
1,115	Assets Held For Sale	4,318	22
845	Inventories (Stock)	743	30
85,243	Short Term Debtors	70,156	32
100,702	Cash and Bank Balances	64,154	33
187,905	Current Assets	316,371	
(7)	Bank Overdraft	(9,321)	33
(249,869)	Short Term Borrowing	(148,290)	24
(112,173)	Short Term Creditors	(123,575)	34
(5,625)	Short Term Provisions	(2,576)	35
(367,674)	Current Liabilities	(283,762)	
(7,135)	Long Term Provisions	(6,336)	35
(519)	Long Term Creditors	(519)	34
(442,241)	Long Term Borrowing	(623,671)	24
(585,323)	Other Long Term Liabilities	(455,272)	49
(2,030)	Capital Grants Received in Advance	(5,548)	8
(1,037,248)	Long Term Liabilities	(1,091,346)	
65,068	Net Assets	287,520	
(163,956)	Usable Reserves	(162,222)	36
98,888	Unusable Reserves	(125,298)	37
(65,068)	Total Reserves	(287,520)	

The 2020/21 Short Term Debtors figure has been revised to remove a provision which had been classed as a bad debt provision in 2020/21 but has been reclassified as a long term provision during 2021/22. The result is an increase in the debtors figure of £3.364m and a corresponding increase in long term provisions.

## Cash Flow Statement

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

	2020/21 £000	2021/22 £000	Notes
Deficit on the provision of services	11,269	4,952	
Adjustments to net surplus or deficit on the provision of services for non-cash movements :			
Depreciation & Impairment	(52,053)	(55,295)	
Carrying Amount of Non- Current Assets Sold	(32,458)	(28,084)	
Pension Fund Adjustments	5,825	(47,928)	
(Increase)/Decrease in Provisions	(448)	486	
Increase/(Decrease) in Inventories	83	(102)	
Increase/(Decrease) in Debtors	6,205	(15,534)	
(Increase)/Decrease in Creditors	(26,309)	(8,813)	
Other Non Cash Adjustments	316	(719)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	52,577	64,394	38
Net cash inflows from Operating Activities	(34,993)	(86,643)	
Investing Activities	30,726	227,394	39
Financing Activities	(44,540)	(94,889)	40
Net decrease in cash and cash equivalents	(48,807)	45,862	
Cash and cash equivalents at the beginning of the reporting period	51,888	100,695	33
Cash and cash equivalents at the end of the reporting period	100,695	54,833	33

**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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 ("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 2021/22 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 2022/23.

## 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 2021/22 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 simply to passport the grant from Government to a business, supplier or individual, with no decision making process required by the Council.

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 an Asset Held for Sale, it will be measured at the lower of carrying value and fair value less cost to sell.

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

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

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

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

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

#### Impairment of Assets

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

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

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

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

#### Disposals

The carrying amount of an item is derecognised:

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

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

Assets held solely to earn rentals or 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 fair value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings over 30 Years, 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. 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.

#### **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 the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, 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, and the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, 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), within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest. All gains and losses posted to Surplus or Deficit on the Provision of Services as they arise.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month (i.e. the normal expectation of loss for this category of investment, no event occurring) or lifetime basis (whereby the initial assessment of risk has changed significantly by an event occurring). The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The authority holds loans with three local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of

the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

## 22 **Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

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 to the services for which the employees worked.
  - 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 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.

### **24 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 2022 a large proportion of the financial impacts of the Covid-19 pandemic were known and to a degree mitigated through Government emergency grant, there remains some limited 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 2021/22 Financial Statements. Even though Covid restrictions have been removed, there is still however uncertainty with respect to the longer term impact of the pandemic due to the unknown pace of the local and national recovery. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2021/22.

War in Ukraine, inflation and energy price rises: although the war in Ukraine, inflation and energy rises began within the 2021/22 financial year any direct impact of the war

on the Council's 2021/22 Financial Statements has not been identified. The conflict and the resulting uncertainty and risk are recognised as being a potential Adjusting Balance Sheet Event in the context of the 2021/22 Financial Statements, as the Council may prove to be under provided for in bad debt provisions as the impact of these pressures hits local residents and businesses..

## **25 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.

## **26 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.

## **27 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 2022/23. Implementation has been delayed until 2024/25 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**

There are no critical judgements to report.

## **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 2022 is an estimated pensions liability of £338m, calculated by the Pensions Fund's actuaries in accordance with the requirements of IAS19. This compares to £465m at 31 March 2021 and £450m at 31 March 2020 similarly calculated by the actuaries. 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.

### **Pensions Assets**

The long-term impact on the pension fund assets as a result of the Covid-19 pandemic and the ongoing conflict in Ukraine remains unknown, this includes any potential impact on projected investment returns.

The South Yorkshire Pensions Authority that administers the Council's Pension Fund holds a variety of assets within the Fund including directly held properties. As a consequence of the Covid-19 pandemic, the valuation specialists for these properties attached a 'material valuation uncertainty' in the accounts for 2019/20, for this year ending 31 March 2022 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 2022.

### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls.

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## Note 1      Expenditure and Funding Analysis

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
62,342	3,303	65,645	Adult Care and Housing	66,152	2,911	69,063
6,516	(22,303)	(15,787)	Local Authority Housing (HRA)	74	(6,604)	(6,530)
67,504	4,584	72,088	Children and Young People's Services excluding schools	70,002	(2,740)	67,262
(2,464)	3,637	1,173	Schools	(736)	5,113	4,377
51,176	2,204	53,380	Regeneration and Environment Services	48,786	7,243	56,029
17,400	(16,589)	811	Public Health	18,201	(16,712)	1,489
6,188	1,208	7,396	Assistant Chief Executive Office	6,782	1,754	8,536
18,647	4,920	23,567	Finance and Customer Services	19,375	7,396	26,771
(254,060)	234,508	(19,552)	Central Services	(226,958)	199,761	(27,197)
(26,751)	215,472	188,721	<b>Net Cost of Services</b>	1,678	198,122	199,800
0	36,612	36,612	Other Operating Expenditure	0	30,831	30,831
0	47,644	47,644	Financing and Investment Income and Expenditure	0	42,599	42,599
0	(261,708)	(261,708)	Taxation & Non-Specific Grant Income and expenditure	0	(268,278)	(268,278)
(26,751)	38,020	11,269	<b>(Surplus) / Deficit</b>	1,678	3,274	4,952
		(49,133)	Opening General Fund and HRA Balance as at 1 April			(95,032)
		(26,751)	Less (Surplus) / Deficit on General Fund Balance in year			1,678
		(19,892)	Transfer to DSG Adjustment Account (unusable reserve)			
		744	Transfer from/to reserves to/from Academies			25
		(95,032)	<b>Closing General Fund and HRA Balance at 31 March</b>			(93,329)

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

2020/21					2021/22			
Capital Adjustment	Pension Adjustment	Other Adjustment	Total		Capital Adjustment	Pension Adjustment	Other Adjustment	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,111	2,380	(1,188)	3,303	Adult Care and Housing	214	3,967	(1,270)	2,911
276	910	(23,489)	(22,303)	Local Authority Housing (HRA)	794	1,550	(8,948)	(6,604)
34	3,317	(133)	3,218	Children and Young People's Services excluding schools	552	5,517	(8,809)	(2,740)
4,873	(791)	(445)	3,637	Schools	3,768	999	346	5,113
10,493	3,911	(12,200)	5,803	Regeneration and Environment Services	12,606	6,797	(12,160)	7,243
0	0	(16,589)	(16,589)	Public Health	0	25	(16,737)	(16,712)
436	763	9	1,208	Assistant Chief Executive Office	345	1,306	103	1,754
3,284	1,618	18	4,920	Finance and Customer Services	4,694	2,743	(41)	7,396
909	0	233,599	240,731	Central Services	498	0	199,263	199,761
17,756	0	18,856	36,612	Other Operating Expenditure	16,728	0	14,103	30,831
6,766	10,580	30,298	47,644	Financing and Investment Income and Expenditure	1,601	10,705	30,293	42,599
2,915	0	(264,623)	(271,530)	Taxation & Non-Specific Grant Income and expenditure	4,630	0	(272,908)	(268,278)
49,853	22,688	(35,887)	36,654		46,430	33,609	(76,765)	3,274

**Notes:**

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

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

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

<b>Expenditure/Income</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	198,404	212,459
Other services expenses	374,162	386,928
Depreciation, amortisation, impairment	37,408	40,713
Interest payments	31,455	31,630
Precepts and levies	15,875	13,822
Payments to Housing Capital Receipts Pool	1,861	1,950
Loss on the disposal of assets	18,875	15,059
<b>Total expenditure</b>	<b>678,040</b>	<b>702,561</b>
<b>Income</b>		
Fees, charges and other service income	(161,771)	(172,666)
Interest and investment income	(91)	(171)
Income from council tax and non domestic rates	(138,071)	(154,103)
Government grants and contributions	(366,838)	(370,669)
<b>Total income</b>	<b>(666,771)</b>	<b>(697,609)</b>
<b>Deficit on the Provision of Services</b>	<b>11,269</b>	<b>4,952</b>

Note: There was continued significant increases in Council expenditure for 2021/22 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 and year. However, as in 2020/21 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:

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
Income from contracts with service recipients	Other income	Total income		Income from contracts with service recipients	Other income	Total income
£000	£000	£000		£000	£000	£000
(13,623)	(10,250)	(23,873)	Adult Care and Housing	(16,546)	(10,260)	(26,806)
(83,041)	(712)	(83,753)	Local Authority Housing (HRA)	(85,058)	(519)	(85,577)
(2,621)	(1,995)	(4,616)	Children and Young People's Services excluding schools	(2,709)	(1,753)	(4,462)
(1,332)	(3,081)	(4,413)	Schools	(2,135)	(5,248)	(7,383)
(23,006)	(1,945)	(24,951)	Regeneration and Environment Services	(30,046)	(1,617)	(31,663)
(25)	(13)	(38)	Public Health	(11)	(39)	(50)
(2,083)	(73)	(2,156)	Assistant Chief Executive Office	(1,948)	(54)	(2,002)
(416)	(569)	(985)	Finance and Customer Services	(304)	(680)	(984)
0	(9,448)	(9,448)	Central Services	0	(10,156)	(10,156)
0	(7,538)	(7,538)	Other income below Cost of Service	0	(3,583)	(3,583)
(126,147)	(35,624)	(161,771)	<b>Total Income analysed on a segmental basis</b>	(138,757)	(33,909)	(172,666)

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



	Movements in Usable Reserves 2020/21 continued					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Pensions Reserve:</u> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18) Employer's pension contributions and direct payments to pensioners payable in the year	40,672 (19,524)	2,778 (1,237)				(43,450) 20,761
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	17,412					(17,412)
<u>Adjustment primarily involving the Accumulated Absences Account:</u> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(366)	10				356
<u>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</u>  Transfer to unusable reserve in the year in accordance with statutory requirements	21,258					(21,258)
Total Adjustments	75,073	(17,161)	1,335	11,944	6,329	(77,520)

	Movements in Usable Reserves 2021/22					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	17,482	524				(18,006)
Amortisation of intangible assets	3,899	244				(4,143)
Revaluation losses on Property, Plant and Equipment & Investment Properties	1,063	13,455				(14,518)
Capital grants and contributions applied	(48,282)	(2,829)			2,656	48,455
Revenue expenditure funded from capital under statute	6,053	374				(6,427)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	16,359	(1,589)	13,314			(28,084)
Debt Repayment			50			(50)
Statutory provision for the financing of capital investment	(7,354)		0			7,354
Capital expenditure charged against the General Fund and HRA balances	(10)	(6,519)				6,529
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure			(10,097)			10,097
Use of receipts to repay debt			(50)			50
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,950		(1,950)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			0			0
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Transfer from HRA to Major Repairs Reserve re notional MRA		(2,538)		2,538		0
HRA depreciation to capital adjustment account				18,773		(18,773)
Use of the Major Repairs Reserve to finance new capital expenditure				(25,264)		25,264
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(25)					25

	Movements in Usable Reserves 2021/22 continued					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Pensions Reserve:</u> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18) Employer's pension contributions and direct payments to pensioners payable in the year	50,561 (19,170)	3,493 (1,275)				(54,054) 20,445
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u> Amount by which council tax income, non-domestic rate income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with Regulation	(14,733)					14,733
<u>Adjustment primarily involving the Accumulated Absences Account:</u> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	141	6				(147)
<u>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</u>  Transfer to unusable reserve in the year in accordance with statutory requirements	(8,418)					8,418
Total Adjustments	(73)	3,346	1,267	(3,953)	2,656	(3,243)

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

	Bal at 1 Apr 20 £000	Trans between Reserves 2020/21 £000	Trans out 2020/21 £000	Trans in 2020/21 £000	Bal at 31 Mar 21 £000	Trans between Reserves 2021/22 £000	Trans out 2021/22 £000	Trans in 2021/22 £000	Bal at 31 Mar 22 £000
<b>General Fund</b>									
Transformation	4,120	0	0	0	4,120	0	0	0	4,120
Business Rates	4,000	0	0	0	4,000	0	0	0	4,000
PFI - Education (Schools)	1,429	0	0	0	1,429	(1,429)	0	0	0
Corporate Revenue Grants Reserve	1,112	0	(100)	0	1,012	0	(98)	817	1,731
Budget & Financial Strategy	0	0		11,900	11,900	3,081		2,885	17,866
Budget Contingency	2,008	0	0	1,644	3,652	(3,652)	0	0	0
Housing Transformation Fund	685	0	(95)	0	590	0	(186)	899	1,303
Area Assembly Ward	3	0	0	1	4	0	(4)	0	0
Memb Comn Leadership Fund	5	0	0	3	8	0	(8)	50	50
Rotherham Partnership	49	0	0	58	107	0	0	41	148
HRA Sinking Fund	0	0	0	1	1	0		22	23
CYPS Social Care Reserve	0	0	0	2,000	2,000	0	0	0	2,000
Covid Recovery Fund	0	0	0	0	0	2,000	0	0	2,000
Local Ctax Support Grant	0	0	0	0	0	0		2,774	2,774
Collect'n Fund Income Guarantee	0	0	0	0	0	0		677	677
Treasury Management Savings	0	0	0	0	0	0		5,586	5,586
<b>Total</b>	<b>13,411</b>	<b>0</b>	<b>(195)</b>	<b>15,607</b>	<b>28,823</b>	<b>0</b>	<b>(296)</b>	<b>13,751</b>	<b>42,278</b>
<b>Total HRA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>23</b>
<b>Total General Fund</b>	<b>13,411</b>	<b>0</b>	<b>(195)</b>	<b>15,606</b>	<b>28,822</b>	<b>0</b>	<b>(296)</b>	<b>13,729</b>	<b>42,255</b>
<b>Covid-19 Grants Reserve</b>	<b>15,274</b>	<b>0</b>	<b>(15,274)</b>	<b>27,430</b>	<b>27,430</b>	<b>0</b>	<b>(23,587)</b>	<b>8,027</b>	<b>11,870</b>
<b>DSG Grant Reserve</b>	<b>(19,892)</b>	<b>0</b>	<b>(1,366)</b>	<b>21,258</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Total Earmarked Reserves</b>	<b>8,793</b>	<b>0</b>	<b>(16,835)</b>	<b>64,295</b>	<b>56,252</b>	<b>0</b>	<b>(23,883)</b>	<b>21,778</b>	<b>54,148</b>

**Earmarked General Fund Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2021/22. 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) Business Rates Reserve**

This reserve is to cover residual risks relating to appeals.

(iii) 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.

(iv) 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.

(v) Budget & Financial Strategy Reserve

This reserve is available to support the Council's revenue budget position and Medium Term Financial Strategy as approved within the Council's Budget and Council Tax Report for 2022/23.

(vi) Budget Contingency Reserve

The balance of this reserve has been transferred to the Council's Budget and Financial Strategy Reserve to support the Council's budget position and Medium Term Financial Strategy, this reserve will no longer be used.

(vii) 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.

(viii) 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.

(ix) 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.

(x) DSG Grant Reserve

The Dedicated School Grant (DSG) is a ring fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) (No 2) Regulations 2018. Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. There is currently a deficit balance on the Dedicated Schools Grant, which in accordance with Government policy, can be carried forward for the deficit to be addressed in future years. Children's and Young Peoples Service have implemented a plan to start to recover the deficit, however this is dependent in part on future levels of government funding and approval of disapplication requests. The balance of this reserve was transferred to an unusable reserve during 2021/22 to comply with changes to the Code of Practice.

(xi) Covid 19 Grant Reserve

Government allocated the Council Covid-19 specific grants to mitigate the financial pressures as a result of the Covid-19 response and to provide support to residents and businesses across a variety of schemes. However many of the grants are for financial implications that will require

mitigation post 2021/22 or for grants such as Section 31 grants have to be accounted for during 2022/23 even though the support they were provided for was during 2021/22, due to Collection Fund accounting rules. The Covid-19 Grants Reserve holds these balances until they are deployed. The reserve includes £5.9m of S31 grants to support additional business rate relief provided during 2021/22 that will impact on the General Fund during 2022/23.

(xii) Covid Recovery Fund

In the 2020/21 outturn the Covid Recovery Fund Reserve was created to provide the Council with a fund to support the Council's recovery from the pandemic. The intention of the fund was to take proactive steps in order to support local residents as we emerge from the pandemic.

(xiii) Local Tax Support Grant

This reserve holds the Local Council Tax Support grant provided to meet the additional costs associated with the increases in local Council Tax Support caseloads during 2021/22 that will impact upon 2022/23. As per the Council's Budget and Council Tax report 2022/23, the Council will use this fund to support a local Council Tax Support top up payment during 2022/23 and potentially 2023/24.

(xiv) Collection Fund Income Guarantee

This reserve holds grant provided to compensate Council's for 75% of irrecoverable losses of Council Tax and Business Rates income in 2020/21. Again, this reserve is to be used to support a local Council Tax support top up payment during 2022/23 and potentially 2023/24.

(xv) Treasury Management Savings Reserve

As per the Council's Budget and Council Tax report 2022/23 this new reserve was established to hold savings made from the Council's treasury management operations that will be reserved to support the Council's medium term financial strategy.

(xvii) Other Reserves

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

**Note 4**      **Other Operating Expenditure**

2020/21 £000		2021/22 £000	Notes
3,135	Parish Council precepts	3,201	
12,740	Levies payable	10,620	
1,861	Payments to the Government Housing Capital Receipts Pool	1,950	
18,824	Loss on disposal of non current assets	15,150	48
51	Loss on revaluation & disposal of Assets Held for Sale	(90)	22
36,611	Total	30,831	

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

2020/21		2021/22	
£000		£000	Notes
31,455	Interest payable and similar charges	31,630	26
10,580	Net interest on the net defined benefit liability (asset)	10,705	18
(91)	Interest receivable and similar income	(171)	26
5,700	Income and expenditure relating to Investment Properties and changes in their fair value	435	20
47,644	Total	42,599	

**Note 6**      **Surplus / Deficit on Trading Services**

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:

2020/21				2021/22		
Expenditure	Income	(Surplus) / Deficit		Expenditure	Income	(Surplus) / Deficit
£000	£000	£000		£000	£000	£000
15,070	(15,654)	(584)	Construction, Street Cleansing and Landscaping	14,594	(15,347)	(753)
1,438	(1,077)	361	Vehicle Maintenance	1,574	(1,662)	(88)
1,596	(2,883)	(1,287)	Property Services – Fee-billing	1,735	(3,327)	(1,592)
854	(620)	234	Engineering – Fee-billing	1,191	(1,162)	29
6,189	(5,114)	1,075	Cleaning of buildings	5,995	(5,451)	544
961	(216)	745	Markets	1,163	(734)	429
396	(460)	(64)	Building Regulations Control	496	(492)	4
6,349	(4,959)	1,390	School Support Services	7,299	(7,191)	108
32,853	(30,983)	1,870	(Surplus) / Deficit	34,047	(35,366)	(1,319)

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. The majority of these are internal traded services, however there is some external provision to Parish Councils and academy schools.

**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. The majority of these are internal traded services, however there is some external provision to academy schools.

**Engineering – Fee Billing**

Streetpride provides a design, inspection, assessment service and carries out engineering works to buildings, bridges, structures and highways. The majority of these are internal traded services, however there is some external provision to other local authorities.

#### 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 and by academy schools. The service also has a contract with Equans for the provision of cleaning services to PFI schools.

#### Markets

The Council operates regular markets in Wath and Rotherham town centre. This is an external traded service.

#### 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. This is an external traded service

#### 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. This service is provided to RMBC and academy schools.

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

2020/21 £000		2021/22 £000	Notes
115,920	Council Tax Income	120,118	
22,151	Non Domestic Rates	33,985	
46,534	Business Rates grants	43,112	
41,320	Non Ring-fenced government grants	24,583	8
35,783	Capital Grants and Contributions	46,480	8
261,708	Total	268,278	

### **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:

2020/21 £000		2021/22 £000
15,100	Revenue Support Grant	15,183
25,033	Covid19 Funding	8,469
1,187	Other Non Specific Revenue Grants	931
41,320	Total	24,583



## Capital Grants Credited to Taxation and Non Specific Grant Income:

2020/21 £000		2021/22 £000
8,882	Department for Transport	5,817
456	Environment Agency	0
1,538	Education Funding Agency: LA Maintained Maintenance Grant	-244
-1,399	Education Funding Agency: Basic Need Pupil Places	2,188
96	Education Funding Agency: LA Maintained Devolved Formula	203
0	Education Funding Agency: Targeted Basic Need	1,060
-16	Department of Health	0
4,692	S106 Contributions	188
3,648	Department for Levelling Up, Housing & Communities	5,263
0	SOAHP Grant Housing England	643
286	Other Local Authorities and Partners	518
0	Network Rail	400
7,198	South Yorkshire Mayoral Combined Authority	27,779
8,268	Department of the Environment, Food & Rural Affairs	6
1,137	Department of Business, Energy & Industrial Strategy	1,564
288	European Development Fund	832
0	Forestry Commission	39
0	Historic England	214
13	Heritage Asset Donations	10
696	CIL Contributions	0
35,783		46,480

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 shown on following page:

2020/21 £000		2021/22 £000
84,974	Dedicated Schools Grant (Note 16)	86,296
0	Safety Valve	8,530
58,533	Housing and Council Tax Benefit: subsidy	54,988
25,460	Covid 19 Funding	23,928
9,822	PFI Grant	9,822
1,139	Troubled Families & Troubled Families Co-ordinator	816
4,165	Pupil Premium	3,560
1,238	Housing Benefit & Council Tax Benefit Administration	1,237
441	Youth Offending Teams Grant	479
420	Rotherham Music Hub	419
1,155	Universal Free School Meals	728
10,900	Social Care (Revenue) Grant	10,902
7,669	NHS Funding (including Better Care Fund)	11,567
13,005	Improved Better Care Fund	14,638
193	Local Reform & Community Voices Grant	192
1,442	Independent Living Fund	1,442
16,590	Public Health Funding	16,739
239	Police and Crime Commission	324
766	Discretionary Housing Payments (DHPs)	603
419	Adoption Support Fund	210
500	Fusion Funding	0
73	Elections Grant	342
181	Local Sustainable Transport Fund	0
258	Home Office Trusted Relationship Fund	249
280	Asylum Seekers	331
220	Building Stronger Communities (Controlling Migration Fund)	153
547	PE & Sport Grant	487
128	House Project	0
122	Towns Fund	46
122	School Improvement Monitoring	102
561	Teachers Pay Grant	36
2,052	Teachers Pensions Employer Contributions Grant	103
2,000	Section 14 Grant	0
318	Flexible Homelessness Support	0
452	New Burdens	226
325	Rough Sleeper Initiative	625
160	Next Steps Accommodation Programme	0
136	Emergency Active Travel Fund	0
0	Transforming Care Discharge	569
0	Homeless Prevention	588
0	Council Tax Rebate	616
0	Kickstart	273
0	Flood Property Resilience	293
0	Virtual School Head	120
0	Brownfield Housing Fund	184
0	Staying Put	178
0	Family Group Conferencing	127
0	Mental Health Funding	110
0	Gainshare	450
0	Domestic Abuse	547
0	Afghan Refugee Assistance Programme	356
0	Afghan Resettlement Programme	165
0	Childrens Capital of Culture	241
0	Mobile Cycle Hub	118

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 21		31 Mar 22
£000		£000
1,990	Section 106 Developer Contributions	2,338
184	CIL Contributions	3,210
-144	Homes England Recycled Grant	0
2,030	Total of Capital Grants Received in Advance	5,548

### Section 106 Developer Contributions

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

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

Income	Expenditure	2020/21		Income	Expenditure	2021/22
£000	£000	£000		£000	£000	£000
(50)	8	(13)	F&CS/ACE - General Fund	0	8	(5)
(45)	64	(1,125)	Regeneration & Environment – General Fund	(561)	128	(1,558)
(1)	4,659	(309)	CYPS - General Fund	(101)	0	(410)
0	0	(50)	Housing -General Fund	0	50	0
(37)	0	(492)	HRA	(29)	157	(364)
(133)	4,732	(1,990)	Total	(691)	343	(2,338)

### Note 9      Acquired and discontinued operations

The Council did not acquire any new operations in 2021/22.

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:

2020/21 £000		2021/22 £000
(2,071)	Gross income	(1,841)
2,071	Gross expenditure	1,841
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 £34.150m, 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 £11.336m 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:

2020/21 £000	<b>Better Care Fund - Pool 1 RMBC</b>	2021/22 £000
(561)	<b>Balance B/F</b>	(3,783)
(12,093)	Rotherham CCG	(11,753)
(3,064)	Rotherham MBC - Capital	(3,064)
(15,793)	Rotherham MBC - Revenue	(15,550)
(31,511)	Total Gross Income	(34,150)
1,341	Capital Expenditure	2,304
26,502	Revenue Expenditure	28,158
27,843	Total Gross Expenditure	30,462
(3,668)	Overspend / (Underspend)	(3,688)
(115)	Use of balances	(81)
(3,783)	Net Balance as at 31 March	(3,769)

2020/21 £000	<b>Better Care Fund - Pool 2 RCCG</b>	2021/22 £000
(11,129)	Rotherham CCG	(11,286)
(50)	Rotherham MBC	(50)
(11,179)	Total Gross Income	(11,336)
11,064	Revenue Expenditure	11,255
11,064	Total Gross Expenditure	11,255
(115)	Overspend / (Underspend)	(81)
115	Transfer of balances	81
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 £18K 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.

2020/21 £000	YOS Pooled Budget	2021/22 £000
(70)	Rotherham CCG	(70)
(153)	South Yorkshire Police & Crime Commissioner	(153)
(5)	National Probation Service	(18)
(5)	Leeds City Council	0
(272)	Rotherham MBC - Revenue	(241)
(505)	Total Gross Income	(482)
0	Capital Expenditure	0
505	Revenue Expenditure	482
505	Total Gross Expenditure	482
0	Underspend/Overspend	0
0	Use of balances	0
0	Net Balance as at 31 March	0

2020/21 £000	Rotherham Safeguarding Board	2021/22 £000
(110)	Rotherham CCG	(129)
(52)	South Yorkshire Police & Crime Commissioner	(44)
(1)	Other Income	(1)
(139)	Rotherham MBC - Revenue	(139)
(302)	Total Gross Income	(313)
302	Revenue Expenditure	257
302	Total Gross Expenditure	257
0	Underspend/Overspend	(56)
0	Transfer of balances	0
0	Net Balance as at 31 March	(56)

Doncaster Children's Trust are the Lead Authority and maintain central expenditure incurred in the provision of South Yorkshire Regional Adoption Agency (SYRAA). The RAA is a statutory agreement that was established on 1<sup>st</sup> January 2021. The contributing partners are Rotherham MBC, Barnsley MBC, Sheffield CC and Doncaster Children's Trust.

2020/21 £000	Rotherham Safeguarding Board	2021/22 £000
0	Rotherham MBC - Revenue	(1,048)
0	Sheffield CC	(1,375)
0	Barnsley MBC	(825)
0	Doncaster Children's Trust	(993)
0	Total Gross Income	(4,241)
0	Capital Expenditure	0
0	Revenue Expenditure	3,971
0	Total Gross Expenditure	3,971
0	Underspend/Overspend	(270)
0	Use of balances	0
0	Net Balance as at 31 March 2022 held by Doncaster Children's Trust	(270)

### **Note 13**      **Members' Allowances**

Members' allowances and expenses during the year totalled £891,018.12 excluding Joint Council allowances (2020/21 £899,299).

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.

2020/21 £000	Members Allowances	2021/22 £000
691	Basic allowance	664
208	Special responsibility allowances	227
0	Travel	0
899	Total Members' Allowances and Expenses	891

### **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 2021/22 payroll information, expressed in bands of £5,000 is as follows:

2020/21			2021/22	
Officers Total	Teachers Total		Officers Total	Teachers Total
48	10	50,000.00 to 54,999.99	54	7
24	9	55,000.00 to 59,999.99	22	6
17	10	60,000.00 to 64,999.99	25	8
21	3	65,000.00 to 69,999.99	19	7
3	2	70,000.00 to 74,999.99	7	1
2	2	75,000.00 to 79,999.99	1	1
3	1	80,000.00 to 84,999.99	2	2
3	0	85,000.00 to 89,999.99	2	0
8	1	90,000.00 to 94,999.99	8	0
1	0	95,000.00 to 99,999.99	0	0
0	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	1	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 and have received an exit payment under the terms of their contract with the Council. In some cases that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2021/22, the number of such employees was 1 (0 officer and 1 teacher).

The number of officers and teachers whose remuneration fell between £50,000 - £124,999, has increased year on year by 4 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 2020/21 and 2021/22 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 Head of Legal Services as they were the Monitoring Officer up to 8 November 2021.



## 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	170,767.32	0.00	0.00	170,767.32	29,371.92
Former Assistant Chief Executive	13,560.35	5,133.30	0.00	18,693.65	2,332.38
Assistant Chief Executive	26,444.76	0.00	0.00	26,444.76	4,548.51
Former Strategic Director of Children and Young Peoples Services	87,224.71	6,411.88	0.00	93,636.59	15,002.66
Strategic Director of Children and Young Peoples Services	65,037.43	0.00	0.00	65,037.43	11,186.45
Strategic Director of Adult Care and Housing	133,755.96	0.00	0.00	133,755.96	23,006.04
Strategic Director or Regeneration & Environment	123,645.00	0.00	0.00	123,645.00	21,267.00
Strategic Director of Finance & Customer Services	123,645.00	0.00	0.00	123,645.00	21,267.00
Head of Legal Services	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

## Senior Officers 2021/22

Job Title/Employee	Salary 2021/22 £	Additional Payments 2021/22 £	Compensation & Ex-gratia 2021/22 £	Total remuneration excluding employer pension contributions 2021/22 £	Pension employer contribution 2021/22 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	173,328.60	0.00	0.00	173,328.60	29,812.56
Assistant Chief Executive - Refer to Note (ii)	107,366.04	0.00	0.00	107,366.04	18,466.92
Suzanne Joyner - Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	152,474.04	0.00	0.00	152,474.04	26,225.52
Strategic Director of Regeneration & Environment - Refer to Note (iv)	125,499.96	0.00	0.00	125,499.96	21,585.96
Former Strategic Director of Adult Care and Housing - Refer to Note (v)	113,135.00	5,130.42	0.00	118,265.42	19,459.20
Strategic Director of Adult Care and Housing - Refer to Note (vi)	97,788.22	1,782.42	0.00	99,570.64	17,126.19
Strategic Director of Finance & Customer Services - Refer to Note (vii)	125,499.96	0.00	0.00	125,499.96	21,585.96
Head of Legal Services - Refer to Note (viii)	71,476.54	6,409.24	0.00	77,885.78	13,396.37
Assistant Director of Legal Services - Refer to Note (ix)	35,951.82	0.00	0.00	35,951.82	6,183.73
Total	1,002,520.18	13,322.08	0.00	1,015,842.26	173,842.41

- (i) Sharon Kemp commenced her employment as the Chief Executive on 18 January 2016.
- (ii) The current post holder of Assistant Chief Executive commenced their employment on 1 January 2021.
- (iii) The current post holder of Strategic Director of Children and Young People's Services commenced their employment on 26 October 2020.
- (iv) The Strategic Director of Regeneration and Environment commenced their employment on 28 February 2019.
- (v) The previous post holder of Strategic Director of Adult Care, Housing and Public Health officially left the Council 31 January 2022. Additional payment related to unused leave entitlement on leaving.
- (vi) The current post holder of Strategic Director of Adult Care, Housing and Public Health commenced their employment on 1 February 2022, having previously been the Assistant Director. Additional payment related to Acting Up Allowance.
- (vii) The Strategic Director of Finance and Customer Services commenced their employment on the 1 April 2016.
- (viii) The role of Monitoring Officer was 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. They were replaced on SLT by Assistant Director

of Legal Services on 8 November 2021. Additional payment related to honorarium for being the Monitoring Officer.

- (ix) The current post holder of Assistant Director of Legal Services commenced their employment 8 November 2021.
- (x) The LGPS Employer Pension contributions disclosed in 2021/22 are based on the common rate of contribution set by the Actuary of 17.2 percent.

Senior Officer salary costs for 2021/22 have not materially increased or decreased compared to 2020/21.

#### Further disclosure for exit packages

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 2020/21 but who were paid in 2021/22 and those staff whose severance was approved and agreed and to which the Council was committed at 31 March 2022 but who are planned to leave in 2022/23.

In 2021/22 no provision was made in respect of severance costs associated with the major restructuring of services (in 2020/21 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
Non Schools								
£0 - £20,000	10	1	53	55	63	57	287	241
£20,001 - £40,000	3	0	2	0	5	0	149	0
£40,001 - £60,000	3	0	0	1	3	0	129	48
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	0	0	0	1	0	85	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	17	1	55	56	72	57	650	289

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
Schools								
£0 - £20,000	2	2	13	10	15	12	77	49
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	1	0	1	0	32	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
Total	2	2	14	10	16	12	109	49

N.B. The above figures include 2 settlement agreements entered into no settlement agreements to terminate the employment relationship with the School/Council.

(xiv) Termination Benefits

During 2021/22 69 employees (2020/21, 88) 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 2021/22 totalled £0.338m (2020/21 £0.760m) - composed of severance payments of £0.282m (2020/21 £0.499m) and £0.056m in pensions strain costs (2020/21 £0.261m).

**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:

2020/21 £000		2021/22 £000
184	Fees payable for external audit services carried out by the appointed auditor Grant Thornton	179
23	Fees payable for the certification of grant claims and returns Grant Thornton	32
6	Fees payable for the certification of grant claims and returns - to external audit services KPMG	7
4	Other audit related services GT	0
217	Total	218

**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 2021/22 and the comparative year are as follows:

2020/21				2021/22		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		252,972 (167,769)	Final DSG before Academy recoupment Less Academy figure recouped			272,116 (185,912)
		85,203 (19,892)	Total DSG after Academy recoupment Brought forward from previous year Less carry forward to 2022/23 agreed in advance			86,204 0 0
10,694	54,617	65,311	Agreed initial Budgeted Distribution	35,005	51,199	86,204
0	(229)	(229)	In Year Adjustments*	8,530	92	8,622
10,694	54,388	65,082	Final Budgeted Distribution	43,535	51,291	94,826
(33,061)	0	(33,061)	Less actual Central expenditure	(35,327)		(35,327)
0	(53,279)	(53,279)	Less actual ISB deployed to schools Plus Local Authority Contribution		(51,081)	(51,081)
				0	0	0
			In Year Carry forward to next year Plus carry forward to 2022/23 agreed in advance	0	0	0
			Carry forward	0	0	0
(22,367)	1,109	(21,258)	DSG Unusable Reserve 31/3/21 Addition to DSG Unusable Reserve 31/3/22	(22,367)	1,109	(21,258)
				8,208	210	8,418
			Total of DSG Unusable Reserve 31/3/22	(14,159)	1,319	(12,840)
			Net DSG position at end of 2021/22	(14,159)	1,319	(12,840)

\*The Safety Valve agreement funding for 2021-22 of £8,530k is included within 'in year adjustments' line as instructed by Department for Education.

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 overspend 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. It also 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 £0.7 billion to the High Needs Block, in 2021/22 the £4.8 billion is split £3 billion to the Schools Block and £0.8 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.

A DSG 'Safety Valve' agreement has been entered into between the DFE and Rotherham and covers the financial years from 2021/22 to 2025/26. The Council undertake to reach a positive in-year balance on the DSG account by the end of 2022/23, and in each subsequent year with a minor dip into deficit in 2024/25 only. The DFE agree to pay in instalments a total of £20.53m by 2025/26 and subject to full compliance, the Council should eliminate the cumulative deficit no later than 2025/26. The first instalment of £8.53m was paid in 2021/22 and is reflected in these accounts.

## **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.

The Council has deemed BDR Property Ltd to be a Joint Venture but does not have significant influence over the organisation.

(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 2020 were available and the details are as follows:

31 Dec 19 £000		31 Dec 20 £000
34	Turnover	275
(1,935)	Profit / (Loss) before taxation	1,668
(1,931)	Profit / (Loss) after taxation	1,327
(659)	Net Assets	668

**Other**

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

2020/21 £	Related Parties	Nature of Transactions	2021/22 £
	<b>Assisted Organisations:</b>		
35,263	Rotherham Ethnic Minority Alliance Ltd	Grants and Fees	95,533
358,475	Voluntary Action Rotherham	Grants and Fees	482,256
78,333	Speak Up	Commissioned Services	61,917
90,000	Healthwatch Rotherham	Commissioned Services	90,000
125,000	Rotherham Sight and Sound	Commissioned Services	125,000
527,831	Rotherham RISE	Commissioned Services & Fees	504,000
	<b>Member Related:</b>		
29,510	Swinton Lock Activity Centre	Fees	41,720
8,150	Turner Hire & Sales Ltd	Fees and Charges	10,114
1,271	Richmond Park Tenants and Residents Association	Fees & Charges	0
2,238	Cortonwood Comeback Centre	Fees & Charges	1,800
	<b>Officer Related:</b>		
29,201	Clarke Film & Media Ltd	Fees	15,291
0	NextGen Mobile Services Ltd	Fees	736
	<b>Other Related Organisations:</b>		
10,256,365	Sheffield City Region Combined Authority	Transport Levy	10,240,311
915,989	Sheffield City Region Combined Authority	Contribution	967,564

**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 2021/22 the Council paid employer's contributions calculated at 23.68%, amounting in total to £4.390m (2020/21 £3.995m). The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2023 is £3.525m.

**(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 2021/22 are tiered from 5% to 14.5% based on salary.

During 2021/22 the Council paid employer’s contributions calculated at 16.88% (including 0.08% in respect of administration costs) amounting in total to £0.040m (£0.056m 2020/21).

The 0.08% levy for the administration of the NHS Pension scheme was introduced in March 2017 by the Department of Health. In 2022/23 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 2023 is £0.023m.

(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 2021/22 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.

Pensions Liability – the Covid 19 pandemic has resulted in substantial volatility in the financial markets and affected key indicators such as inflation and corporate bond yields which influence the value of the pension liability as assessed by the Fund’s actuaries. While the level of volatility attributable to the pandemic has reduced in recent months, the potential for significant future volatility arising from events such as the conflict in Ukraine, 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 £19.850m (2020/21 £19.551m at 17.2%). 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 £14.319m relates to 2021/22.

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 2023 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 pending final resolution of these issues by the Government and Pensions Authority.

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 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 Pension Fund is subject to regular triennial actuarial valuations. The last of these was 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 and is currently being undertaken by the Pensions Fund new actuary Hyman Robinson LLP, who were appointed in 2021. The results of the 2022 valuation will determine the contribution rates from April 2023 onwards.

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, Oakwell House, 2 Beever Court, Pontefract Road, Barnsley, S71 1HG.

**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 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000		Total Funded & Unfunded Local Government Pension Scheme 2021/22 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2021/22 £000
(35,811)	0	Net Cost of Services	(45,276)	0
(229)	0	- Current Service Cost	(41)	0
3,170	0	- Past Service	1,968	0
(10,580)	(448)	- Gain / (loss) from settlements	(10,705)	0
		Financing and Investment Income and Expenditure		
		- Net Interest Expense		
(43,450)	(448)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(54,054)	0
		Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
33,566	457	- Experience gain / (loss) on liabilities	(3,869)	0
213,449	0	- Return on plan assets (excluding the amount included in the net interest expense)	102,806	0
0	0	- Actuarial gains and (losses) arising on changes in demographic assumptions	0	0
(267,504)	(1,982)	- Actuarial gains and (losses) arising on changes to financial assumptions	75,423	0
(20,489)	(1,525)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	174,360	0
		Movement in Reserves Statement		
22,689	(847)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	33,609	(1,239)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(20,761)	0	- Employer's contributions payable to Scheme	(20,445)	0
0	(1,295)	- Rechargeable Pensions	0	(1,239)

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 £0.577m administrative expenses in relation to investments during 2021/22 (2020/21 £0.568m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial gain of £174.360m (£20.489m loss in 2020/21), 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 21 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 22 £000
Fair Value of Scheme Assets	1,377,595	1,477,648
Present value of Funded Liabilities	(1,822,430)	(1,797,477)
Net (under) funding in Funded Plans	(444,835)	(319,829)
Present Value of Unfunded Discretionary Liabilities	(19,984)	(18,558)
Per Actuary Report	(464,819)	(338,387)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,842,414)	(1,816,035)
Assets - funded and unfunded	1,377,595	1,477,648
Add back Employer Contributions Prepayment for 2022/23	(28,514)	(14,195)
Pensions Reserve	(493,333)	(352,582)
Pensions Liability	(464,819)	(338,387)

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

Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000		Total Funded & Unfunded Local Government Pension Scheme 2021/22 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2021/22 £000
1,129,998	0	Fair Value of Plan Assets at beginning of period	1,377,595	0
27,396	0	Interest on plan assets	28,560	0
		Remeasurement gain / (loss):		
213,449	0	- The return on plan assets, excluding the amount included in interest expense	102,806	0
(568)	0	- Administrative expenses (*see note below)		0
(4,303)	0	- Settlements	(2,198)	0
20,761	1,295	- Employer contributions	19,206	1,295
28,514	0	- Prepaid Employer Contributions for 2021/22 & 22/23 in 20/21	(14,319)	0
7,258	0	- Member contributions	7,390	0
(44,910)	(1,295)	- Benefits/transfers paid	(41,392)	(1,295)
1,377,595	0	Fair Value of Scheme Assets at end of period	1,477,648	0

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2020/21	2020/21		2021/22	2021/22
£000	£000		£000	£000
(1,580,153)	(19,306)	Benefit Obligation at beginning of period	(1,842,414)	(19,984)
(35,811)	0	Current Service Cost	(45,276)	0
0	0	Administrative expenses (*see note below)	(577)	0
(37,408)	(448)	Interest Cost	(38,688)	0
(7,258)	0	Member Contributions	(7,390)	0
		Remeasurement gains and (losses):		
33,566	457	- Experience gain / (loss)	(3,869)	0
0	0	- Actuarial Gain / (loss) arising from changes in demographic assumptions	0	0
(267,504)	(1,982)	- Actuarial Gain / (loss) arising from changes in financial assumptions	75,423	0
0	0	- Past Service Cost	0	0
(229)	0	- (Loss) / gain on Curtailments	(41)	0
7,473	0	- Liabilities extinguished on Settlements	4,166	0
44,910	1,295	- Benefits/Transfers paid	42,631	1,239
0	0	Movement in unfunded (*see note below)	0	187
(1,842,414)	(19,984)	Benefit Obligation at end of period	(1,816,035)	(18,558)

\*The change of actuary in 2021/22 has resulted the movement of administrative expenses from the assets reconciliation to the liabilities reconciliation, and the movement on unfunded liabilities to be shown as a net figure due to different approaches taken by the actuary as permitted by the Accounting Code.

## Analysis of the Fair Value of Plan Assets:

		Total Funded & Unfunded Local Government Pension Scheme	Total Funded & Unfunded Local Government Pension Scheme
		31 Mar 21	31 Mar 22
	Quoted (Y/N)	£000	£000
Cash & cash equivalents:		17,621	16,480
Equity Securities	Y	7,707	3,548
Equity Securities	N	0	7
Debt Securities			
- Corporate Bonds (investment grade)	N	0	0
- Corporate Bonds (non-investment grade)	N	75,040	160
- UK Government	N	26,993	8,817
- Other	Y	4,004	4,196
- Other	N	63,710	69,524
Real Estate:			
- UK Property	Y	2,870	2,448
- UK Property	N	115,874	122,092
- Overseas Property	N	1,898	1,990
Investment Funds and Unit Trusts			
- Equities	N	664,645	688,505
- Bonds	N	185,381	265,412
- Infrastructure	Y	25,237	18,974
- Infrastructure	N	63,456	103,098
- Other	N	0	27,561
Private Equity	Y	7,452	3,178
Private Equity	N	115,707	141,658
		1,377,595	1,477,648

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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	Discretionary Benefits		Local Government Pension Scheme	Discretionary Benefits
2020/21	2020/21		2021/22	2021/22
22.5 years	22.5 years	Mortality assumptions:	22.6 years	22.6 years
25.3 years	25.3 years	Longevity at 65 for current pensioners:	25.4 years	25.4 years
		Men		
		Women		
23.9 years	23.9 years	Longevity at 65 for future pensioners:	24.1 years	24.1 years
27.2 years	27.2 years	Men	27.3 years	27.3 years
2.4%	2.4%	Women		
3.65%	-	Rate of CPI inflation	3.2%	3.2%
2.5%	2.5%	Rate of increase in salaries	4.20%	-
2.3%	2.3%	Rate of increase in pensions	3.2%	3.2%
		Rate for discounting scheme liabilities	2.7%	2.7%

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 £73m 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 £28m 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 £5m 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 £33m 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.

The long-term impact on the pension fund assets as a result of the Covid-19 pandemic and the ongoing conflict in Ukraine remains unknown this includes any potential impact on projected investment returns. The only asset group where estimation uncertainty is likely to be material is Pooled Investment Vehicles. Table below shows the potential impact on the Councils share of investments held.

Assessed valuation range (+/-)	Value at 31 March 2022 £,000	Value on increase £,000	Value on Decrease £,000
12%	307,368	344,252	270,484

**Note 19**      **Property, Plant and Equipment**

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



2021/22	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 21	694,440	282,294	61,743	251,641	7,483	44,383	8,388	1,350,372
Additions	24,388	5,700	5,332	13,504	41	46,595	0	95,561
Accumulated Depreciation and Impairment written out to gross cost/valuation	(17,986)	(10,022)	(15)	0	0	0	(2)	(28,026)
Revaluation increases/decreases to Revaluation Reserve	27,193	27,730	0	0	0	0	51	54,974
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(11,916)	(1,556)	(13)	0	(76)	0	644	(12,917)
Derecognition - Disposals	(7,974)	(18,480)	(19,244)	0	0	0	(357)	(46,055)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	(802)	0	0	0	0	(336)	(1,138)
Reclassified to/from Investment Properties	0	0	0	0	76	0	2,540	2,616
Other Movements in cost valuation	2,838	5,113	243	1,121	30	(10,876)	0	(1,532)
At 31 Mar 22	710,982	289,977	48,046	266,265	7,554	80,102	10,928	1,413,855
Depreciation and Impairment								
At 1 Apr 21	1	(9,414)	(34,831)	(61,744)	(6,412)	0	(13)	(112,414)
Accumulated Depreciation and Impairment written out to gross cost/valuation	17,986	10,022	15	0	0	0	2	28,026
Depreciation Charge	(18,095)	(7,299)	(5,429)	(5,153)	(3)	0	(2)	(35,982)
Impairment losses/reversals to Revaluation Reserve	0	(642)	0	0	0	0	0	(642)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(630)	0	0	(54)	0	(347)	(1,031)
Derecognition - Disposals	111	360	18,550	0	0	0	357	19,378
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	(2)	2	0	0	0	0	0	0
At 31 Mar 22	1	(7,600)	(21,695)	(66,897)	(6,468)	0	(3)	(102,664)
Net Book Value								
At 31 Mar 22	710,983	282,377	26,351	199,369	1,086	80,102	10,924	1,311,190
At 31 Mar 21	694,440	272,881	26,912	189,897	1,071	44,382	8,374	1,237,955

(a) Carrying Value of PFI Assets

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

2020/21 £000		2021/22 £000
	Cost or Valuation:	
56,609	At 1 April	58,894
(1,875)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(2,631)
240	Additions	529
2,988	Revaluation Increases / (Decreases) taken to Revaluation Reserve	9,839
933	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	922
0	Derecognition - Disposals	(5,786)
58,894	Cost or Valuation at 31 March	61,767
	Depreciation & Impairment:	
5,194	At 1 April	5,252
(1,875)	Adjustments between cost / value & depreciation/impairment	(2,631)
1,693	Depreciation Charge	1,769
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
129	Impairment Losses Recognised in the Revaluation Reserve	50
111	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	82
0	Derecognitions - Disposals	(975)
5,252	Depreciation and impairment at 31 March	3,547
	Net Book Value	
53,642	At 31 March	58,220

2020/21 £000		2021/22 £000
51,853	Land and buildings	56,807
1,789	Vehicles, Plant, Furniture and Equipment	1,413
0	Assets under Construction	0
53,642	Total	58,220

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 2021/22 the HRA and General Fund assets were revalued 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 current 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 2021 to the 31 March 2022, again where applicable, adjustments have been processed. For some assets valued on a DRC basis a valuation date of the 1 January has been used.

d) Revaluations and Impairment

In 2021/22 there was a net valuation increase of £41.178m. Contained within the net figure is a £42.056m revaluation increase, mainly due to valuation increases across Council Dwellings and Schools. This was offset by (£1.673m) 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 2021/22 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 2022 rather than spread across all five years.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	5,541	8,460	48,046	266,265	7,554	0	80,102	415,968
Valued at current value as at:								
31 Mar 22	705,441	194,949	0	0	0	10,928	0	911,318
31 Mar 21	0	41,806	0	0	0	0	0	41,806
31 Mar 20	0	22,702	0	0	0	0	0	22,702
31 Mar 19	0	17,792	0	0	0	0	0	17,792
31 Mar 18	0	4,268	0	0	0	0	0	4,268
Total Cost or Valuation	710,982	289,977	48,046	266,265	7,554	10,928	80,102	1,413,854

e) Capital commitments

At 31 March 2022 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22. The Council had significant commitments of £1 million or more budgeted to cost £17.677m (£88.611m at 31 March 2021).

	Cost £000
<u>Finance &amp; Customer Services</u>	
Networking Infrastructure	4,399
<u>Children and Young People</u>	
Aston Academy classroom replacements	1,557
<u>Regeneration &amp; Environment</u>	
Ickles Lock Flood Defence Construction	2,867
Various flood defence projects	5,387
Century Park Phase II	3,457
Total	17,667

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:

2021/22 Position

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2022
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	10,928	0	10,928
Total	0	10,928	0	10,928

2020/21 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2021
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	8,375	0	8,375
Total	0	8,375	0	8,375

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques used to determine Fair Values for Surplus Assets

The fair value for the surplus assets of £10.928m (£8.375m as at 31 March 2021) 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:

2020/21 £000		2021/22 £000
(1,516)	Rental income from investment property	(1,632)
450	Direct operating expenses arising from investment property	466
(1,066)	Net income	(1,166)
6,576	Net (gain)/loss from fair value adjustments	1,601
190	(Gain)/loss on disposal	0
5,700	Total included in Finance & Investment Income	435

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

2020/21 £000		2021/22 £000
32,576	Balance at 1 April	26,599
239	Subsequent expenditure	590
(190)	Disposals	0
(6,576)	Net gains / (loss) from fair value adjustments	(1,601)
0	Net gain / (loss) through Revaluation Reserve	0
550	Transfers from Property, Plant & Equipment	(4,716)
26,599	Balance 31 March	20,872

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:

**2021/22 Position**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2022
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	20,872	0	20,872
Total	0	20,872	0	20,872

## 2020/21 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2021
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	26,599	0	26,599
Total	0	26,599	0	26,599

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 £20.872m (£26.599m as at 31 March 2021) 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 2022 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 Mark Liversidge BSc (Hons), 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.

2020/21 £000		2021/22 £000
	Balance at 1 April:	
13,602	- Gross carrying amount	16,718
(6,451)	- Accumulated amortisation	(9,463)
7,151	Net carrying amount at 1 April	7,255
	Additions:	
3,116	- Purchases	2,491
0	- Reclassified from PP&E under Construction	0
(3,012)	Amortisation	(4,320)
7,255	Net carrying amount at 31 March	5,426
	Comprising:	
16,718	Gross carrying amounts	19,209
(9,463)	Accumulated amortisation	(13,783)
7,255	Balance at 31 March	5,426

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

	Assets Held for Sale-Current	
	2020/21 £000	2021/22 £000
Balance at 1 April	3,019	1,115
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	0	1,439
- Investment Property	0	2,100
- Revaluation losses	(56)	0
- Revaluation gain	0	0
- Other Movements	0	735
<u>Assets declassified as held for sale:</u>		
- Reclassified to Property, Plant and Equipment	7,380	336
- Assets sold	(9,227)	(1,407)
Balance at 31 March	1,115	4,318

**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 Civic Regalia were revalued during 2021/22 by an external valuer (Adam M Schoon).

#### 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 the Council's 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 2021/22, heritage assets are carried at valuation rather than current or fair value, reflecting the fact that sales and exchanges of heritage assets are uncommon. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

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

	Museum Exhibits held at valuation £000	Civic Regalia & Plate held at valuation £000	Archives held at valuation £000	Total £000
<u>Cost or Valuation</u>				
1 Apr 21	7,092	1,746	258	9,096
Additions	27	11	0	38
Revaluation increases/decreases to Revaluation Reserve	0	(1,243)	0	(1,243)
31 Mar 22	7,119	514	258	7,891
31 Mar 21	7,092	1,746	258	9,096

#### Disposal of Heritage Assets in 2021/22

There have been no Heritage Asset disposals in 2021/22.

#### Additions of Heritage Assets in 2021/22

There has been a donation of Heritage Assets valued at £0.013m in 2021/22.

**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	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Borrowings	442,241	623,670	245,328	143,571
Plus Accrued Interest	0	0	4,541	4,719
Plus Creditors	121,085	121,022	112,162	123,575
Plus bank overdraft	0	0	7	9,321
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	563,326	744,692	362,038	281,187
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	563,326	744,692	362,038	281,187
Non Financial Liabilities	3,771	6,336	5,625	2,576
Total	567,097	751,028	367,663	283,762
Investments	1,014	969	367	177,405
Plus Accrued Interest	0	0	36	109
Plus Debtors	599	344	58,094	51,118
Plus Cash & Cash Equivalents	0	0	100,496	64,154
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	1,613	1,313	158,993	292,786
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	1,803	1,503	158,993	292,786
Non-Financial Assets			16,406	8,605
Total	1,803	1,503	175,398	301,391

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 2021/22 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 22 £000 (a)	% (b)	31 Mar 22 % (c)	£000 (a*c)
<u>Deposits with banks and financial institutions – excluding Heritable Bank</u>				
AAA rated counterparties	39,350	0.040%	0.040%	0
AA rated counterparties	0	0.020%	0.020%	0
A rated counterparties	20,000	0.050%	0.050%	10
Bonds	0	0.000%	0.000%	0
Banks and Financial Institutions	59,350			10
<u>Debtors</u>				
Long Term Debtors	344	4.002%	4.002%	14
Loans to Third Parties	1,374	43.590%	43.590%	599
Sundry Debtors	12,156	7.457%	7.457%	906
Housing Tenants	5,642	54.563%	54.563%	3,078
Other Short-Term Debtors	19,991	4.811%	4.811%	962
Debtors	39,506			5,559

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.

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 £5.559m 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 current market conditions and these rates are applied to the debt raised rather than the percentages shown above.

External loan repayments have been reviewed and as these have been maintained as agreed in 2021/22 it is not considered that there has been any impairment arising from the pandemic.

HRA levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2021/22 HRA accounts, it is considered that the 2021/22 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2021/22 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 21 £000		31 Mar 22 £000
8,332	Less than three months	9,195
402	Three to six months	392
792	Six months to one year	604
1,935	More than one year	1,965
11,461		12,156

### 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 2022 was £0.540m (£0.649m as at 31 March 2021).

### 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 21 £000		31 Mar 22 £000
245,328	Less than one year	143,571
75,571	Between one and two years	46,214
42,163	Between two and seven years	26,211
12,421	Between seven and fifteen years	17,609
312,086	More than fifteen years	533,636
687,569		767,241

The maturity analysis of financial assets is as follows:

31 Mar 21 £000		31 Mar 22 £000
57,830	Less than one year	241,668
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
57,830		241,668

All Sundry Debtors and other payables are due to be paid in less than one year. These Sundry Debtors of £12.156m 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:

2020/21 £000		2021/22 £000
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
(141,055)	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)	(164,450)

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 2022 are as follows:

2020/21		Financial Liabilities	Financial Assets			2021/22
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
18,648	Interest expense	19,196	0	0	0	19,196
0	Impairment (gain)	0	0	0	0	0
0	Premium/discounts	0	0	0	0	0
12,807	Finance Lease Interest	12,434	0	0	0	12,434
31,455	Interest payable and similar Charges	31,630	0	0	0	31,630
(91)	Interest income		(171)	0	0	(171)
31,364	Net gain (-) / loss (+) for the year	31,630	(171)	0	0	31,459

**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 2022 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 31/3/21 £000	As at 31/3/22 £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 payable and PFI schemes, 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. The PWLB rate is deemed a reasonable proxy for non PWLB loans.
- 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 21			31 Mar 22	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		<u>Long and Short-term</u>		
173,333	239,301	PWLB debt	390,862	382,258
215,124	360,831	Non-PWLB debt	250,217	361,956
220,500	220,500	Temporary Borrowing	130,882	130,882
608,957	820,632	Total Debt	771,961	875,096
112,132	112,132	Short Term Creditors	123,575	123,575
95,751	167,079	PFI Schemes	92,911	149,378
25,334	25,334	Other Long Term Creditors	28,111	28,111
842,174	1,125,177	Total Financial Liabilities	1,016,558	1,176,160

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 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of temporary loans is deemed to be the same as the carrying amount due to the term being less than 12 months.

The fair value of Public Works Loan Board (PWLB) loans of £390.862m 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 (£8.604m) measures the reduced 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, this is because the Council took £227m of long term loans from PWLB during 2021/22 that if refinanced at the current prevailing rates would be significantly more expensive.

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 any potential 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 (£84.920m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £475.782m.

31 Mar 21			31 Mar 22	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
57,830	57,830	Money Market loans less than one year	177,514	177,514
42,666	42,666	Cash & Cash Equivalents	64,154	64,154
190	190	Equity	190	190
1,418	1,418	Third Party Loans	969	969
599	599	Long-term Debtors	344	344
11,461	11,461	Sundry Debtors	12,156	12,156
7,612	7,612	Housing Rents	5,642	5,642
9,668	9,668	Other Short-Term :	38,879	38,879
(7,345)	(7,345)	Bad Debts Provision	(5,559)	(5,559)
124,098	124,098	Total Financial Assets at Amortised Cost	294,289	294,289

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 2022 the Council had no material soft loans requiring disclosure within the Balance Sheet.

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 2022 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

### **Note 29**      **Long-Term Investments**

2020/21 £000		2021/22 £000
	<u>Investments in Associates and Joint Ventures:</u>	
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
190	Balance at 31 March	190

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

### **Note 30**      **Inventories**

2020/21 £000		2021/22 £000
761	Balance at 1 April	845
4,112	Purchases	4,375
(3,999)	Recognised in year as expense	(4,331)
(29)	Written on / (off) in year	(146)
845	Balance at 31 March	743

### **Note 31**      **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 2022 (Nil 2020/21).

**Note 32**      **Debtors**

	Short Term		Long Term	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Central Government Bodies	15,740	13,543	0	0
Other Local Authorities	5,710	21,778	0	0
NHS Bodies	4,922	4,467	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	58,871	30,368	993	693
<b>Total</b>	<b>85,243</b>	<b>70,156</b>	<b>993</b>	<b>693</b>

The 2020/21 Other Entities and Individuals figure has been revised to remove a provision which had been classed as a bad debt provision in 2020/21 but has been reclassified as a long term provision (see note 35) during 2021/22. The result is an increase in the debtors figure of £3.364m and a corresponding increase in long term provisions.

**Covid-19**

The Sundry Debtor balances within the 2021/22 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 2021/22 accounts is not considered necessary.

There is still considerable uncertainty about the impact of Covid-19 on collection rates for Business Rates and Council Tax including arrears in 2021/22 onwards. Experience so far in 2021/22 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 2022 is not deemed feasible or necessary at present.

**Note 33**      **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 21 £000		31 Mar 22 £000
100,702	Cash and Bank balances	64,154
(7)	Bank Overdraft	(9,321)
100,695	Total Cash and Cash Equivalents	54,833

**Note 34**      **Creditors**

	Short Term		Long Term	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Central Government Bodies	(32,096)	(33,842)	0	0
Other Local Authorities	(1,379)	(2,011)	(500)	(500)
NHS Bodies	(13,969)	(16,734)	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	(64,729)	(70,988)	(19)	(19)
<b>Total</b>	<b>(112,173)</b>	<b>(123,575)</b>	<b>(519)</b>	<b>(519)</b>

**Note 35**      **Provisions**

<b>Current Year</b>	Balance as at 1 Apr 21 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 22 £000
Insurance Claims	(3,687)	(579)	1,374	0	(2,892)
Compensation Payments	(642)	0	0	0	(642)
Business Rates Appeals	(4,624)	(422)	3,471	0	(1,575)
Other	(3,807)	0	4	0	(3,803)
<b>Total</b>	<b>(12,760)</b>	<b>(1,001)</b>	<b>4,849</b>	<b>0</b>	<b>(8,912)</b>
Current Provisions	(5,625)	(422)	3,471	0	(2,576)
Long Term Provisions	(7,135)	(579)	1,378	0	(6,336)
<b>Total</b>	<b>(12,760)</b>	<b>(1,001)</b>	<b>4,849</b>	<b>0</b>	<b>(8,912)</b>

<b>Comparative Year</b>	Balance as at 1 Apr 20 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 21 £000
Insurance Claims	(3,687)	(1,053)	634	419	(3,687)
Compensation Payments	(666)	0	24	0	(642)
Business Rates Appeals	(4,539)	(950)	865	0	(4,624)
Other	(56)	(3,760)	9	0	(3,807)
<b>Total</b>	<b>(8,948)</b>	<b>(5,763)</b>	<b>1,532</b>	<b>419</b>	<b>(12,760)</b>
Current Provisions	(5,153)	(2,399)	1,508	419	(5,625)
Long Term Provisions	(3,795)	(3,364)	24	0	(7,135)
<b>Total</b>	<b>(8,948)</b>	<b>(5,763)</b>	<b>1,532</b>	<b>419</b>	<b>(12,760)</b>

The 2020/21 Other Long Term Provisions figure has been revised to include a provision which had been classed as a bad debt provision in 2020/21 (see note 32) but has been reclassified as a long term provision during 2021/22. The result is an increase in the provisions figure of £3.364m and a corresponding increase in short term debtors.

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 2022 will be made during 2022/23 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 36**      **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 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 2022/23.

31 Mar 21 £000		31 Mar 22 £000
	<b>CAPITAL RESERVES</b>	
(18,306)	Capital Receipts Reserve	(19,572)
(27,918)	Major Repairs Reserve	(23,965)
(22,699)	Capital Grants Unapplied Account	(25,355)
(68,923)	Sub-Total Capital Reserves	(68,892)
	<b>REVENUE RESERVES</b>	
(25,000)	General Fund Minimum Balance – Council	(25,000)
(28,822)	Earmarked Reserves excluding DSG and Covid-19	(42,255)
(53,822)	Sub-Total General Fund Council and Earmarked Reserves excluding DSG/Covid-19	(67,255)
(3,181)	General Fund - Schools	(3,679)
(27,430)	Earmarked Reserve Covid-19 Grant	(11,870)
(10,599)	HRA	(10,503)
(1)	HRA Earmarked Reserve	(23)
(19,953)	Sub-Total Other Reserves	(26,075)
(163,956)	<b>TOTAL USABLE RESERVES</b>	(162,222)

#### (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 37**      **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 21 £000		31 Mar 22 £000
	CAPITAL RESERVES	
(221,381)	Capital Adjustment Account	(238,844)
(211,042)	Revaluation Reserve	(253,984)
0	Deferred Capital Receipts	0
	REVENUE RESERVES	
493,333	Pensions Reserve	352,582
4,068	Short term accumulating absences account	4,215
248	Financial instruments adjustment account	223
12,404	Collection Fund adjustment account	(2,329)
21,258	DSG Adjustment account	12,840
98,888	TOTAL UNUSABLE RESERVES	(125,298)



(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.

2020/21 £000		2021/22 £000
(219,412)	Balance 1 April	(221,381)
49	Debt Repayment	50
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,012	Amortisation of Intangible Assets	4,143
31,856	Charges for depreciation and impairment of non-current assets	32,380
4,561	Revenue expenditure funded from capital under statute	6,427
	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		28,084
17,179	Depreciation - Major Repairs Reserve	18,773
(2,085)	Write down of Met Debt deferred Liability	0
	Adjusting amounts written out to Revaluation Reserve:	
(10,621)	Disposal	(2,623)
(5,741)	Excess of current cost depreciation over historic cost depreciation	(6,967)
	Capital Financing Applied in the year:	
(10,703)	Use of Capital Receipts Reserve to finance capital expenditure	(10,097)
(49)	Use of Capital Receipts Reserve to repay debt	(50)
(9,369)	Use of Major Repairs Reserve to finance capital expenditure	(25,264)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(32,370)	Application of grants to capital financing from the Capital Grants Unapplied Account	(48,436)
(6,582)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,354)
0	MRP holiday	0
(13,565)	Capital expenditure charged against the General Fund and HRA balances	(6,529)
(221,381)	TOTAL	(238,844)

(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.

2020/21 £000		2021/22 £000
(186,020)	Balance 1 April	(211,042)
(42,169)	Net revaluation gains/losses not charged to the Surplus /( Deficit) on Provision of Services	(53,174)
785	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	642
(41,383)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(52,532)
10,621	Accumulated Gains on assets sold or scrapped	2,623
5,741	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	6,967
(211,042)	Balance at 31 March	(253,984)

(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.

2020/21 £000		2021/22 £000
(98)	Balance 1 April	0
98	Transfer to the Capital Receipts Reserve of cash received	
0	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 2022 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.

2020/21 £000		2021/22 £000
450,155	Balance 1 April	493,333
20,489	Remeasurements of the net defined benefit liability/(asset)	(174,360)
43,450	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	54,054
(20,761)	Employer's pensions contributions and direct payments to pensioners payable in the year	(20,445)
493,333	Balance 31 March	352,582

(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.

2020/21			2021/22	
£000	£000		£000	£000
	4,424	Balance 1 April		4,068
(4,424)		Settlement or cancellation of accrual made at the end of the preceding year	(4,068)	
4,068		Amounts accrued at the end of the current year	4,215	
	(356)	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		147
	4,068	Balance at 31 March		4,215

(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.

2020/21 £000		2021/22 £000
305	Balance at 1 April	248
	Movement in year:	
(25)	Premium and discounts	(25)
(32)	Soft Loans	0
248	Balance carried forward at 31 March	223

(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 2021/22 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2022/23.

2020/21 CTAX £000	2020/21 NNDR £000	2020/21 Total £000		2021/22 CTAX £000	2021/22 NNDR £000	2021/22 Total £000
(4,452)	(556)	(5,008)	Balance 1 April	(2,938)	15,342	12,404
1,514	15,898	17,412	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(1,166)	(13,567)	(14,733)
(2,938)	15,342	12,404	Balance at 31 March	(4,104)	1,775	(2,329)

(i) Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account has been set up to comply with a change to the CIPFA code of Practice in response to a change in The Local Authorities Capital Finance and Accounting Regulations. The Council must record any deficit on the DSG grant in an unusable Reserve set up solely for the purpose of recording deficits relating to its schools budget. Note 16 provides details of this account.

**Note 38**      **Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Service**

2020/21 £000		2021/22 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
38,699	Capital Grants credited to surplus or deficit on the provision of services	51,081
28	Net adjustment from sale of long term investments	0
13,850	Proceeds from the sale of property plant and equipment, investment property and intangible assets & other capital receipts	13,313
52,577		64,394
(282)	Interest received (cash basis)	(152)
31,385	Interest paid (cash basis)	31,452

**Note 39**      **Cash Flow – from Investing Activities**

2020/21 £000		2021/22 £000
74,609	Purchase of property, plant and equipment, investment property, heritage and intangible assets	100,615
0	Long term loans granted	0
0	Purchase of short term investments	177,000
0	Purchase of Long term investments	0
260	Capital Grants and Contributions Repaid	168
(13,850)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets & other capital receipts	(13,313)
(30,217)	Capital Grants and Contributions Received	(37,076)
(76)	Other receipts from investing activities	0
30,726	Net cash outflow from Investing Activities	227,394

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

2020/21 £000		2021/22 £000
(377,614)	Cash receipts of short- and long-term borrowing	(360,000)
145	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,986
326,434	Repayments of short- and long-term borrowing	280,328
6,495	Other payments for financing activities	(18,203)
(44,540)	Net cash outflow from Financing Activities	(94,889)

**Note 40b**      **Reconciliation of Liabilities Arising from Financing Activities**

	2021/22 01 Apr 21 £000	Cash Flow £000	Non Cash Change £000	2021/22 31 Mar 22 £000
Long Term Borrowing	(442,241)	(212,000)	30,570	(623,671)
Short Term Borrowing	(249,869)	132,328	(30,749)	(148,290)
PFI & Lease Liabilities Short Term	(2,986)	2,986	(3,619)	(3,619)
PFI & Lease Liabilities Long Term	(120,505)		3,619	(116,886)
NNDR & CTAX		(18,203)		
	(815,601)	(94,889)	(179)	(892,466)

	2020/21 1 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)

**Note 41 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.

2020/21 £000		2021/22 £000
843,702	Opening Capital Financing Requirement Capital Investment	849,669
72,098	Property, Plant and Equipment	95,401
789	Investment Properties	590
3,116	Intangible Assets	2,491
13	Heritage Asset	29
4,624	Revenue Expenditure funded from Capital under Statute	6,427
924,342		954,607
	Sources of finance:	
(10,703)	Capital receipts to finance new capital expenditure	(10,097)
(32,370)	Government grants and other contributions	(48,425)
(9,369)	Major Repairs Allowance	(25,264)
	Sums set aside from revenue	
	Direct revenue contributions:	
0	General Fund	(10)
(13,565)	Housing Revenue Account	(6,519)
(7,879)	Minimum Revenue Provision	(6,376)
	MRP holiday	
0	Historical correction to reflect MRP reprofiling on finance leases	0
(787)	Write down of finance lease liability	(978)
(74,673)		(97,669)
849,669	Closing Capital Financing Requirement	856,938

2020/21 £000	Explanation of movements in year	2021/22 £000
5,967	Increase in underlying need to borrowing (unsupported by government financial assistance)	7,269
0	Assets acquired under finance leases	0
5,967	Increase in Capital Financing Requirement	7,269

The MRP value disclosed in this note has two key differences from that disclosed in note 37a, 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

**Note 42**      **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 21 £000	31 Mar 22 £000
Finance Lease Liability outstanding at start of year	(27,884)	(27,739)
Principal repaid in year	145	146
Less: Schools converting to academies Finance Lease Liability written off	0	0
New Liabilities arising in year	0	0
Balance outstanding at year end	(27,739)	(27,593)
Short Term Creditors	(146)	(160)
Long Term Liabilities	(27,593)	(27,433)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 21 £000	31 Mar 22 £000	31 Mar 21 £000	31 Mar 22 £000
Not later than one year	(2,846)	(3,005)	(146)	(160)
Later than one year and not later than five years	(12,112)	(12,791)	(738)	(808)
Later than five years	(125,156)	(125,629)	(26,855)	(26,624)

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

2020/21 £000		2021/22 £000
25,075	Land and buildings	30,942
55	Vehicles, Plant, Furniture and Equipment	49
25,130	Total	30,991



(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:

2020/21 £000		2021/22 £000
673	Within one year	607
1,219	Between one year and five years	873
5,660	After more than five years	5,606

The expenditure charged to service in 2021/22 in the Comprehensive Income and Expenditure statement in relation to these leases was £0.720m (£0.731m 2020/21).

(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 43** **Private Finance Initiative and Similar Contracts**

As at 31 March 2022, 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 12 PFI schools, 6 primary and 6 secondary schools, which have converted to academy trusts, transfer to the individual trusts under 125 year lease arrangements with the Council, the remaining 2 primary schools transfer back to the Council for nil consideration. 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 £16.718m 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 £4.718m. 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 2021/22. Payments during the year totalled £7.014m.

(e) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2021/22:

	31 Mar 21 £000	31 Mar 22 £000
Balance outstanding at start of year	(99,033)	(95,752)
Principal repaid in year	3,281	2,840
Balance outstanding at year end	(95,752)	(92,912)
Short Term Creditors	(2,840)	(3,459)
Long Term Liabilities	(92,912)	(89,453)

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	17,704	3,459	9,731	30,894
Two to five years	76,329	16,574	36,656	129,559
Six to ten years	107,465	30,985	39,003	177,453
Eleven to Fifteen years	88,835	25,872	24,700	139,407
Sixteen to twenty years	67,320	14,764	10,797	92,881
Twenty one to twenty five years	6,370	1,256	2,017	9,643

**Note 44**      Capitalised borrowing costs

The Council had £83,640 of capitalised borrowing costs during 2021/22 (£68,522 in 2020/21) the capitalisation rate used in 2021/22 was 3.904% (3.654% in 2020/21).

**Note 45**      **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 4 outstanding public liability claims

Employee Liability claims

The Council has 4 outstanding employee liability claims

Employment Tribunals

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

Contract related claim

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

**Note 46**      **Contingent Assets**Claims for recovery of tax

Protective VAT claims have been submitted to HMRC to recover VAT on Landfill Tax and Leisure Services. 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 47**      **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 2021 £	Income £	Expenditure £	Balance as at 31 Mar 22 £
Treeton Council School War Memorial	889	31	0	920
EJ Butland, Treeton Infants	789	32	0	821
Whiston Two Wars Memorial	1137	125	0	1262
Total	2,815	188	0	3,003

**Trust Funds – Balance Sheet**

2020/21 £		2021/22 £
	<u>Assets</u>	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
45	- Debtors	46
2,770	- Cash	2,957
3,165	Total Assets	3,353
	<u>Financed by:</u>	
350	- Fund Balance	350
2,815	- Accumulated Investment Interest	3,003
3,165	Total Equity	3,353

**Note 48**      **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, £1.968m 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..

Loss on disposal of non-current assets

The loss on disposal of non-current assets reported in Note 4 of £15.150m includes £16.678m of school property, plant and equipment transferred from the Council's balance sheet as a result of schools converting to academies.

Pensions Prepayments

The Council is liable to make annual revenue contributions in respect of its Pension Fund liabilities as specified in the actuary's certificate of rates and contributions. Agreement was reached with South Yorkshire Pensions Authority that the amounts due in respect of 2020/21, 2021/22 and 2022/23 could be settled by way of a single payment made in April 2020. The amount settled in April 2020 in respect of 2021/22 was £14.319m. 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 2021/22 of specific Covid-19 government grants.

**Note 49**      **Other Long-term Liabilities**

31 Mar 21 £000		31 Mar 22 £000	Notes
(92,911)	PFI Liability	(89,452)	43
(27,593)	Finance Lease Liability	(27,433)	42
(464,819)	Pension Liability	(338,387)	18
0	Deferred Liabilities	0	
(585,323)	Total	(455,272)	

**Note 50**      **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 28 July 2022. 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 2022, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The financial climate that the Council is operating within has become more volatile since the end of 2021/22 financial year. The war in Ukraine, rising inflation and the significant increases in energy prices are placing additional and unexpected cost pressures on local authorities, just as they are for businesses and residents of the borough. Whilst these pressures are not expected to have any material impact on the Council's financial standing as at the 31<sup>st</sup> March 2022, they are worth note as the Council heads into what will be a financially challenging 2022/23 and 2023/24 given the Bank of England's view that inflation will remain high for a period of 2 years. It is likely that the Council will need to utilise an increased level of reserves during the medium term in order to mitigate these financial pressures.

**Other Financial Statements and Notes to the Other Financial Statements**

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

**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.

2020/21 £000		2021/22 £000	Notes
	<u>Expenditure</u>		
16,904	Repairs and maintenance	18,237	
24,397	Supervision and management	26,294	
439	Rents, rates, taxes and other charges	443	
24,800	Depreciation and impairment of Non Current Assets	32,352	
258	Debt management costs	281	
477	Provision for bad or doubtful debts	552	8
498	HRA services share of Corporate and Democratic Core	513	
196	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	568	
67,969	Total Expenditure	79,240	
	<u>Income</u>		
77,184	Dwelling rents	78,289	
729	Non-dwelling rents	697	
5,843	Charges for services and facilities	6,784	
83,756	Total Income	85,770	
(15,787)	Net Cost of HRA Services	(6,530)	
	<u>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</u>		
1,116	Gain on sale of HRA Non Current Assets	(1,589)	
13,296	Interest Payable and similar charges	13,721	9
(33)	Interest receivable	(21)	
631	Pensions interest cost and expected return on pension assets	668	10
(10,230)	Capital grants and contributions receivable	(2,829)	
363	HRA Cap grant	0	
0	Revaluation of Assets held for sale	0	
(10,644)	(Surplus)/Deficit for the year on HRA services	3,420	

**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.

2020/21			2021/22	
£000	£000		£000	£000
	(17,116)	Balance on the HRA at the end of the previous year		(10,599)
(10,644)		Surplus for the year on HRA Income and Expenditure Account	3,420	
17,160		Adjustments between accounting basis and funding basis under statute	(3,346)	
6,516		Net increase before transfers to or from reserves	74	
1		Transfers to(from) reserves	22	
	6,517	Decrease in year on the HRA		96
	(10,599)	Balance on the HRA at the end of the current year		(10,503)



**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.

2020/21	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>	7,561	0	7,561
Charges for impairment of non current assets (Council dwellings only)	328		328
Capital grants and contributions applied	(10,230)	0	(10,230)
Revenue Expenditure Funded from capital under statute	213		213
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	1,116	0	1,116
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Capital expenditure charged against the General Fund and HRA balances	(13,565)	0	(13,565)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Reversal of Major Repairs Allowance credited to the HRA	(4,134)	4,134	0
HRA Depreciation to the Capital Adjustment Account	0	17,179	17,179
Use of the Major Repairs Reserve to finance new capital expenditure	0	(9,369)	(9,369)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,778	0	2,778
Employer's pension contributions and direct payments to pensioners payable in the year	(1,237)	0	(1,237)
Short-term Accumulated Absences Account	10	0	10
Total Adjustments	(17,160)	11,944	(5,216)

## Note 1 continued

2021/22	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>			
Charges for impairment of non current assets	13,979	0	13,979
Amortisation of Intangible Assets	244		244
Capital grants and contributions applied	(2,829)	0	(2,829)
Revenue Expenditure Funded from capital under statute	374		374
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,589)	0	(1,589)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Capital expenditure charged against the General Fund and HRA balances	(6,519)	0	(6,519)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Transfer from HRA to Major Repairs Reserve re notional MRA	(2,538)	2,538	0
HRA Depreciation to the Capital Adjustment Account	0	18,773	18,773
Use of the Major Repairs Reserve to finance new capital expenditure	0	(25,264)	(25,264)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,493	0	3,493
Employer's pension contributions and direct payments to pensioners payable in the year	(1,275)	0	(1,275)
Short-term Accumulated Absences Account	6	0	6
Total Adjustments	3,346	(3,953)	(607)

## Note 2 Housing Stock at 31 March 2022

	Houses	Flats	Bungalows	Total
1 Bedroom	2	2,229	2,781	5,012
2 Bedroom	1,922	2,795	1,953	6,670
3 Bedroom	7,732	295	53	8,080
4+ Bedroom	262	8	0	270
Total	9,918	5,327	4,787	20,032

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

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	(3,363)	(1,842)	0	0	(54)	(5,259)
Assets reclassified (to) / from Investment Property	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

2021/22	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 21	694,440	20,003	491	20,346	6,359	741,639
Additions	24,388	693	0	16,708	0	41,789
Accumulated Depreciation and Impairment written out to gross cost/valuation	(17,986)	(601)	0	0	(2)	(18,589)
Revaluation increases/decreases to Revaluation Reserve	27,193	865	0	0	(108)	27,950
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(11,916)	(1,245)	0	0	(294)	(13,455)
Derecognition - Disposals	(7,974)	(1,605)	0	0	(357)	(9,936)
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0
Other Movements in cost valuation	2,838	4,555	0	(8,858)	(336)	(1,801)
At 31 Mar 22	710,983	22,665	491	28,196	5,262	767,597
Depreciation and Impairment						
At 1 Apr 21	(4)	(929)	(491)	0	(11)	(1,435)
Accumulated Depreciation written out to gross cost/valuation	17,986	600	0	0	2	18,589
Accumulated Impairment written out to gross cost/valuation	0	0	0	0	0	0
Depreciation Charge	(18,095)	(675)	0	0	(2)	(18,773)
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	(347)	(347)
Derecognition - Disposals	111	9	0	0	357	477
Other movements in depreciation and impairment	(2)	2	0	0	0	0
At 31 Mar 22	(4)	(993)	(491)	0	(1)	(1,489)
Net Book Value						
At 31 Mar 22	710,979	21,672	(0)	28,196	5,261	766,108
At 31 Mar 21	694,436	19,074	(0)	20,346	6,348	740,204

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 21	1,725

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     Assets Held for Sale**

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Balance at 1 April	2,082	1,082	0	0
<u>Assets newly classified as held for sale:</u>				
- Property, Plant and Equipment		637	0	0
- Newly Acquired Assets			0	0
Revaluation losses			0	0
Revaluation Gains			0	0
Impairment Losses				0
<u>Assets declassified as held for sale:</u>			0	
- Property, Plant and Equipment	7380	336	0	0
Assets sold	(8,380)	(1,374)	0	0
Balance at 31 March	1,082	680	0	0

**Note 5     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.

2020/21 £000		2021/22 £000
15,974	Balance as at 1 April	27,919
17,180	Depreciation in the year	18,773
4,134	Transfer to MRR	2,538
(9,369)	Financing of Capital Expenditure	(25,264)
27,919	Balance as at 31 March	23,966

**Note 6     Financing of Capital Expenditure**

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

	2021/22 £000
Borrowing Need	0
Capital Receipts	7,519
Revenue Contributions	6,346
Government Grants/Other Capital Income	4,837
Major Repairs Reserve	25,264
Total	43,966

During the year total capital receipts of £12.791m were received by the HRA, of which £10.472m was available to support capital expenditure within the Council

**Note 7     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 2021 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 2021 and has been calculated using the 'straight line' method over 15 years.

**Note 8    Impairment**

A net impairment charge of (£13.979m) has been included in the HRA Income and Expenditure Account (£7.561m in 2020/21). 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 9    Rent Arrears & Other Provisions for Bad and Doubtful Debts**

2020/21 £000	Rent Arrears	2021/22 £000
2,974	Current Tenants	2,404
4,660	Former Tenants	2,834
7,634	As at 31 March	5,238

As at 31 March 2022, the level of rent arrears for current tenants as a proportion of gross rent income was 2.76% (2020/21 3.48%).

2020/21 £000	Bad Debt Provision in respect of rent income	2021/22 £000
5,208	As at 1 April	4,956
373	Increase in Provision	478
(625)	Utilised in year	(2,356)
4,956	As at 31 March	3,078

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

2020/21 £000	Bad Debt Provision in respect of the rechargeable repairs	2021/22 £000
619	As at 1 April	331
103	Increase in Provision	74
(391)	Utilised in year	(219)
331	As at 31 March	186

As levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2021/22 HRA accounts, it is considered that the 2021/22 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2021/22 Financial Statements.

**Note 10    Interest Payable and Other Charges**

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

**Note 11    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 2022**

2020/21				2021/22			Note
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	
136,424		136,424	Council Tax Receivable	142,271		142,271	2
	45,587	45,587	National Non-Domestic Rates (excluding write-offs)		66,430	66,430	
	(1,678)	(1,678)	NNDR Transitional Payments		(5,626)	(5,626)	
<b>136,424</b>	<b>43,909</b>	<b>180,333</b>	<b>Total Income</b>	<b>142,271</b>	<b>60,804</b>	<b>203,075</b>	
			<b>Precepts:</b>				
114,435	36,533	150,968	Rotherham Metropolitan Borough Council	117,452	34,578	152,030	
	36,961	36,961	Central Government		35,072	35,072	
14,060		14,060	- South Yorkshire Police and Crime Commissioner	15,075		15,075	
5,295	742	6,037	South Yorkshire Fire & Civil Defence	5,383	704	6,087	
133,790	74,236	208,026		137,910	70,354	208,264	
			<b>Distribution of previous years surplus(deficit):</b>				
3,000	875	3,875	Rotherham Metropolitan Borough Council	1,500	(16,450)	(14,950)	
	892	892	Central Government		(16,786)	(16,786)	
165		165	- South Yorkshire Police and Crime Commissioner	297		297	
58	18	76	South Yorkshire Fire & Civil Defence Authority	112	(336)	(224)	
3,223	1,785	5,008		1,909	(33,572)	(31,663)	
			<b>Charges to Collection Fund:</b>				
496	631	1,127	Write off of uncollectable amounts	680	573	1,253	
401	0	401	Increase/(Decrease) in bad debt provision	551	(206)	345	
	173	173	Increase in provision for appeals		(6,224)	(6,224)	
	293	293	Cost of Collection		291	291	
	2,079	2,079	Disregarded amounts		2,680	2,680	
897	3,176	4,073		1,231	(2,886)	(1,655)	
<b>137,910</b>	<b>79,197</b>	<b>217,107</b>	<b>Total amounts charged to the Collection Fund</b>	<b>141,050</b>	<b>33,896</b>	<b>174,946</b>	
(1,486)	(35,288)	(36,774)	Surplus/(Deficit) arising during the year	1,221	26,908	28,129	
			<b>Collection Fund Balance</b>				
(1,486)	(35,288)	(36,774)	Surplus/(Deficit) arising during the year	1,221	26,908	28,129	
4,771	1,311	6,082	Surplus/(Deficit) brought forward	3,285	(33,977)	(30,692)	
3,285	(33,977)	(30,692)	Surplus/(Deficit) carried forward	4,506	(7,069)	(2,563)	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 2021/22 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 @ 96%
A	28,414	6:9	27,277
B	15,332	7:9	14,719
C	12,277	8:9	11,786
D	8,603	9:9	8,259
E	5,389	11:9	5,173
F	2,477	13:9	2,378
G	1,149	15:9	1,103
H	67	18:9	64
	73,708		70,760

**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 2021/22 was 51.2 pence in the pound and a small business rating multiplier of 49.9 pence in the pound (51.2 pence and 49.9 pence respectively in 2020/21).

The NNDR income in 2021/22 after allowing for mandatory and discretionary reliefs of £66.430m (£45.587m 2020/21) was based on a total rateable value of £190.8m as at 31 March 2022 (£194.2m as at 31 March 2021). The increase from prior year income was due to a reduction in 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 2022 is a deficit of £2.563m (£30.692m deficit 2020/21) and consists of a £7.069m deficit (£33.977m deficit 2020/21) relating to business rates to be distributed to the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a £4.506m surplus (£3.285m surplus 2020/21) 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 2021/22 deficit to the Collection Fund in 2022/23. 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:

2020/21 Council Tax £000	2020/21 NNDR £000	2020/21 Total £000		2021/22 Council Tax £000	2021/22 NNDR £000	2021/22 Total £000
2,939	(16,648)	(13,709)	Billing Authority – Rotherham MBC	4,104	(3,463)	641
0	(16,989)	(16,989)	Central Government	0	(3,535)	(3,535)
			Major Precepting Authorities:			
251	0	251	- South Yorkshire Police and Crime Commissioner	297	0	297
95	(340)	(245)	- South Yorkshire Fire and Civil Defence Authority	105	(71)	34
3,285	(33,977)	(30,692)	Total	4,506	(7,069)	(2,563)

**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 2021/22 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2022.

**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).

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**GLOSSARY**

This listing will help Members and other readers to understand the terminology used within the Statement of Accounts.

**ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

**ACCRUALS**

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

**ADDED YEARS**

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

**ASSET**

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

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

**AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

**BALANCE SHEET**

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

**BORROWING**

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

**BUDGET**

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

**CAPITAL ADJUSTMENT ACCOUNT**

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

**CAPITAL CHARGE**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

**CAPITAL RECEIPT**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**COUNCIL TAX**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**DEDICATED SCHOOLS GRANT (DSG)**

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

**EARMARKED RESERVE**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXCEPTIONAL ITEMS**

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

**FAIR VALUE**

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

**FEES AND CHARGES**

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

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

**FINANCE LEASE**

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

**GENERAL FUND SERVICES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HERITAGE ASSETS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

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

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

**INFRASTRUCTURE ASSETS**

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

**INVENTORIES**

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

**INTANGIBLE ASSETS**

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

**NET INTEREST EXPENSE (PENSIONS)**

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

**INVESTMENTS**

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

**INVESTMENTS (PENSION FUND)**

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

**LIABILITY**

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

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

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

**LIQUID RESOURCES**

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

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

**LONG-TERM CONTRACT**

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

**MATERIALITY**

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

**MAJOR REPAIRS RESERVE**



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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NET BOOK VALUE**

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

**NET DEBT**

The Council's borrowings less cash and liquid resources.

**NET EXPENDITURE**

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

**NET REALISABLE VALUE**

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

**NON-DISTRIBUTED COSTS**

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

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

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

**OPERATING LEASE**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

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

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

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

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

#### **PROVISION**

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

#### **PRUDENCE**

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

#### **PRUDENTIAL CODE**

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

#### **PWLB**

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

#### **RATEABLE VALUE**

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

#### **RELATED PARTIES**

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

#### **RELATED PARTY TRANSACTIONS**

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

#### **RE-MEASUREMENTS**

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

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

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

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

## **RESERVES**

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

## **RESIDUAL VALUE**

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

## **RETIREMENT BENEFITS**

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

## **REVALUATION RESERVE**

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

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

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

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

## **REVENUE SUPPORT GRANT**

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

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

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

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

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

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

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

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

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

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#### Slovak

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

#### Kurdish Sorani

#### دی سۆرانی

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

#### Arabic

#### بي

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

#### Urdu

#### و

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

#### Farsi

#### رسی

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



# **ROTHERHAM MBC**

**NARRATIVE REPORT 2021/22**

## **Narrative Report 2021/22**

### **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 2021/22, 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 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 seeks 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 council functions it was clear that the production of the statement of accounts in line with traditional deadlines was not feasible and as such Government announced that the revised deadline for production of unaudited accounts would be pushed back to 31<sup>st</sup> July 2022, with final audited accounts initially due for publication by 30<sup>th</sup> September 2022, then being pushed back to 30<sup>th</sup> November 2022. The statement of accounts covers the Council's remaining 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 to long term implications of the recovery from Covid-19 remain unclear.

Throughout 2021/22 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 emergency funding (Government's provision of £13.6m emergency support for Covid-19 pressures and Sales, Fees and Charges Income Compensation Claims of £0.4m). 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 financial impact to the Council of Covid-19, during 2021/22 was in excess of the funding provided.

Looking forward to 2022/23, at the point of production of this report, the Council's most recent financial monitoring report (presented to Cabinet 21 November 2022) indicated an overspend for the 2022/23 financial year of £18.2m. Whilst the core directorates services have a forecast year-end overspend of £8.1m on the General Fund, there is also £10.1m of estimated unbudgeted cost resulting from the wider financial impact of the war in Ukraine on inflation, energy price increases and national pay award.

Whilst the energy price rises and inflation will impact the Council's costs in the provision of services there will be some mitigation in future years by increased core funding as business rates income is indexed to the rate of inflation. It is currently expected that the period of high inflation will last for around two years before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. As such the Council will face short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves.

The Council's Medium Term Financial Strategy did have reasonable cover for inflationary impacts but the current rises are far above what the Council could have anticipated and are largely outside of the Council's control and influence. Pressures such as the impact of the war in Ukraine and its impact on the rise in energy prices and inflation are anticipated to create £4m cost pressure for 2022/23 onwards, as the Council's base costs will have increased.

The Local Government Pay Claim 2022/23 has now been considered by national employers and has been accepted by Trade Unions. The offer includes an increase of £1,925 on all NJC pay points from 1st April 2022 and 4.04% on allowances. At the lowest spinal column point that the Council uses, this will be a 10.4% pay rise, reducing to 1.1% for the most senior role. The financial impact of this pay award is £6.1m greater than the budget assumed within the Council's Budget and MTFS which was based on a 2% pay award.

## **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. There is a steadily growing population which reached a record total of 265,000 in 2020. This is as a

result of a natural increase (more births than deaths pre pandemic), net inward migration and increased life expectancy. Rotherham has 161,200 people of working age (60.8%), which is slightly lower than the English average.

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.

Rotherham offers a good quality of life, however the cost of living and house prices are increasing. Despite this house prices remain relatively low in Rotherham when compared nationally, there are also affordable housing options available, such as shared ownership, to support first time buyers to settle here. The Council pays employed staff the real living wage and is accredited by the Living Wage Foundation. Rotherham people are very proud of their local parks and country parks, particularly Clifton Park which has received national awards. 89% of respondents who took part in the Council Plan consultation considered their local parks and green spaces to be very important, particularly for their health and wellbeing.

There are numerous visitor attractions, notably the stately home of Wentworth Woodhouse which is now being restored. The Magna Science Adventure Centre is a well-established visitor attraction and Gulliver's Valley, a major family resort in the south of the borough, opened in 2020.

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 comparatively low cost of living.

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).

Despite the challenges, the Council is making progress with major regeneration schemes and projects. This includes Forge Island, the town centre housing programme, and Future High Streets Fund. £31.6m has been secured from the Towns Fund to carry out ambitious regeneration projects across the town centre, Eastwood and Templeborough and two Levelling Up Fund bids have been approved, securing £39.41m to enhance the town centre regeneration programme and deliver a range of initiatives across the borough to boost the leisure industry, including the creation of a skills village at Gulliver's Valley resort. It will be vital for the Council to continue to use its social value policy to ensure opportunities for local people, particularly those hardest hit, are maximised as part of these and other significant local investments.

## **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. An extension to the plan, featuring the same themes and outcomes, was agreed on 21 June 2021 and has been in place until the new Council Plan came into effect from January 2022 onwards.

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

- Executive group – it was 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 continued even after services resumed, overseeing business continuity and recovery.
- Year Ahead Plan theme groups – cross-directorate groups lead on the delivery of each theme. Facilitated by ACEX team, the aim was to utilise existing groups where possible (e.g. economic recovery cell, humanitarian cell), adapting these as required.

### **Vision and Priorities**

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. It captured the key actions through to December 2022 and provided a basis for the development of a longer-term plan for the borough.

The key aims of the Year Ahead Plan were 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 new Council Plan came into effect from January 2022 onwards, **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.*

*To achieve this as a council we must work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards, yet focussed relentlessly on the needs of our residents.”*

Four guiding principles run through the plan, informing our way of working and helping us to achieve better outcomes.

**Expanding opportunities for all.** As we open up new opportunities we will target the most help at those who need it, so no one is left behind

**Recognising and building on our strengths to make positive change.** This will involve making the best use of local assets, including buildings, parks and public spaces, as well as harnessing the knowledge and skills of community groups and local residents.

**Working with our communities.** To achieve the best outcomes for local people, we recognise the importance of putting them at the heart of everything we do. That means involving local residents in the things that matter to them and making sure we design our services based on input from those who use them.

**Focussing on prevention.** We know that prevention is better than cure in achieving positive outcomes for our residents. For this reason, we will focus on reducing the risk of problems arising in the first place, and when they do, we will intervene early to prevent them from worsening.

The plan is framed around five themes:

- Every neighbourhood thriving
- People are safe, healthy, and live well
- Every child able to fulfil their potential
- Expanding economic opportunity
- A cleaner, greener local environment.

These five themes are underpinned by a cross-cutting strand - 'One Council' - which sets out how the Council will operate to achieve the vision.

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 its budget. The provision of additional resources as part of the Financial Settlement for 2022/23 and the proposed Council Tax and Adult Social Care Precept increase provides cover for some of the additional costs of adult social care. However, 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.

The financial context within which the priorities of the Council Plan are to be delivered needs to recognise the austerity measures introduced by the Government in 2010 and the impact of the 10 years of significant reductions in Government funding that followed. Over this

timescale and in response to the funding cuts, the Council had to make savings in excess of £200m. A key priority within the Council Plan, in common with councils across the country, is the delivery of effective social care services, within a sustainable cost envelope and recognising the demand and market factors currently impacting these services.

The Council's focus is on delivering its priorities whilst also meeting agreed budget savings. This is set against the additional financial pressures of the National Living Wage, inflation and increasing demand for services due to a growing population and changing demographics in Rotherham.

The Council's Medium Term Financial Strategy submitted to Cabinet in December 2021 provides a four-year outlook of the Council's anticipated resources and budget requirement and sets out the Council's approach to delivering a sustainable budget position up to 2025/26.

The Council is also focusing on its leadership role across the borough and particularly where it can have greater influence.

Partnership working is 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 helping to strengthen our communities.

All directorates will continue to work together over the next three years to achieve these commitments.

### **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 Year Ahead Delivery Plan sets out the key actions required to help the Council achieve the outcomes and commitments in the plan.

Quarterly reports were produced to track progress and reported to Cabinet. The reports included progress on the Year Ahead Delivery Plan activities, performance against key measures which are critical to the success of the plan, and a range of case studies.

Each year, Directorates produce service plans which will demonstrate how they contribute to the delivery of the Year Ahead Delivery Plan / Council Plan and outline wider priorities and responsibilities, which in turn will inform team plans and individual performance and development reviews.

The Quarterly Progress Reports to Cabinet include a high-level overview overall and by theme including: achievements and challenges; Year Ahead Delivery Plan trackers and performance scorecards.

Performance Scorecards provide an analysis of the Council's performance against each of the performance measures with each given equal priority. Performance/progress will continue to be kept under review within Directorates and reported publicly quarterly, in order to ensure that the Council's direction of travel remains positive.

### **Some of the Council's key achievements against the Year Ahead Plan in 2021/22 were:**

*Note these are set against the Year Ahead Plan themes as they are retrospective rather than the forward looking themes within the new Council Plan.*

#### Thriving Neighbourhoods

The Council and local partner organisations remain focused on providing wide-ranging support for vulnerable residents. The Pathways to Success programme has helped 211 local residents to find work, with a further 95 completing accredited training to improve their skills. 599 participants have started on the programme against a target of 469 and it has been extended to December 2023. Rotherham Federation won an award for excellence in community action in October and have secured funding to extend and expand their befriending service.

To further develop local partnership activity around food crisis, a food sustainability development officer has been appointed and began work in January 2022. The post holder will develop a grants fund to aid the establishment of social supermarkets, working with voluntary and community sector partners to provide holistic support to local residents.

As well as the activity above, achievements across the Thriving Neighbourhoods theme for the duration of the Year Ahead Plan include:

- Covid local support grant utilised to provide food vouchers and other support during school holidays, helping more than 10,000 children across the borough.
- The Council has almost doubled its annual domestic abuse budget and is recommissioning services, setting aside five additional council homes for families leaving abusive relationships and increasing the number of refuge spaces.
- New lighting and CCTV installed in Clifton Park as part of an initiative to make women and girls feel safer in public spaces. Reclaim the Night event returned in November 2021 to stand against violence towards women and girls.
- Library strategy approved along with capital funding to refurbish neighbourhood libraries and, in some areas, relocate or co-locate libraries to make them more accessible and increase community involvement. Wath library was refurbished and reopened in August 2021.
- Targeted community clean-up days implemented from February 2021
- New £126,000 multi-use games area opened in Greasbrough in May 2021.

### Better health and wellbeing

The weekly target of an 89% completion rate for contact tracing for all cases in Rotherham has been consistently met, despite rising case numbers since the implementation of Local 0 on 29 March 2021. The Local 0 approach saw the Council take responsibility for cases from the national NHS Track and Trace system. This has enabled quicker follow up of cases and the ability to also offer guidance and support around self-isolation and to offer a wider welfare check with the opportunity to make links to the support available through the Rotherham Community Hub.

Engagement work continued to take place within high-risk places, including targeted work in town centre neighbourhoods, ethnic minority communities and amongst the working age population. This included regular liaison with local community organisations and targeted messaging in relation to the reduction of transmission risk and in support of the vaccination programme.

The Council continued to work with health partners to manage the flow of people with social care needs in and out of the hospital. The Improved Better Care Fund has been utilised to support effective flow. This includes initiatives such as additional transport capacity at peak times of discharge, extending the community bed base at Lord Hardy Court (RMBC) to meet winter pressures for short stay, and developing a community hub across health and social care to discuss complex patients and support both flow from acute and hospital avoidance.

Work is ongoing to enable active travel and improve air quality in Rotherham. Public consultation on the draft cycling strategy has been completed. Further work to improve air quality is ongoing, including actions to start construction for Wortley Road Weight Restriction TRO (Traffic Regulation Order) and to start construction for Rawmarsh Hill bus priority and routing changes.

Since the start of the plan, key achievements across this theme have included:

- The Community Testing programme was delivered, initially by offering supervised lateral flow testing at Riverside House café and satellite sites, which was then replaced by the supervised offer by embracing the Community Collect model of home testing kits. This was rolled out across library, leisure and customer service points within the borough, whilst working with partners to identify other external distribution outlets to target unvaccinated people or those at higher risk of contracting Covid-19.
- A targeted prevention and promotion funding bid to Public Health England was successful and the funding is now used to implement a novel 'Team Around the School' model to support pupils and their families with their mental health and wellbeing (see case study attached).
- The use of the catch-up premium, any educational recovery opportunities, holidays activity and food, and summer school activity has been promoted. A range of holiday activities and summer school activities focused on year 6 to year 7 transition were in place across the 2021 summer break. Through the Rotherham Healthy Holidays programme, children who are eligible for benefits-related free school meals were offered the opportunity to attend free holiday club activities, which include receiving a high quality, nutritious meal.
- The next home (Quarry House) as part of the delivery of the residential strategy has been opened and registered, and children transitioned to it in December 2021.
- A 'Beat the Street' summer programme was delivered, comprising activities delivered by the Council and partners to encourage people to continue getting out and about during summer holidays. Once the summer events were completed, a schools competition continued with pupils devising a poster to reflect sustainable travel and the promotion of the environment as key messages.

### Economic recovery

Support to local businesses affected by the pandemic continued. The Local Restrictions Support Grant and the Restart Grant schemes are now closed, having provided over 1,700 Rotherham-based businesses with financial support, for a total value of £30.3 million. Further support has been provided via South Yorkshire Mayoral Combined Authority, through the Additional Restrictions Grant, with over 2,000 businesses supported for a total grant value of £8.7 million. These grants are in addition to the business grant support provided during the first national lockdown, meaning a total grant value of £86.9 million has been awarded to over 5,000 local businesses since the start of the pandemic. This includes the Omicron Hospitality and Leisure Grant, providing one-off cash payments to businesses in these sectors where they are business rates payers and a top up allocation of Additional Restrictions Grant (ARG) to be managed through the South Yorkshire Mayoral Combined Authority.

In January 2021, the Council launched a local scheme offering financial assistance to people who fell outside the national criteria for self-isolation support payments. The intention was that anyone who needed to self-isolate and who would otherwise lose income as a result, was entitled to cash support. As at 31st March 2022, payments have been made on the local scheme to 1,525 claimants at a cost of £0.4m, whilst payments for the government main

scheme have been made to 2,886 claimants at a cost of £1.4m, and the Governments discretionary scheme at a cost of £0.5m for 990 claimants.

To provide further support to the most financially vulnerable residents, the Council provided a Local Council Tax Support Top Up scheme during 2021/22 funded by Governments Household Support Grant. This scheme provided up to a £100 top up for all working age LCTS recipients up to and including those that became eligible through to the 31st April 2022. 16,730 applicants benefited from the scheme with 8,135 of those having their Council Tax bill reduced to nil.

On the Forge Island site, demolition and site preparation works at Riverside Precinct have been completed and work on the main development is underway. Elsewhere in the town centre: the College Street public realm scheme was completed in November 2021.

Three bids totalling almost £60 million were submitted to the Government's Levelling Up Fund in June last year. Two bids were approved, securing £39.41m to enhance the town centre regeneration programme and deliver a range of initiatives across the borough to boost the leisure industry, including the creation of a skills village at Gulliver's Valley resort. A further £2.93m was secured for local projects through the Community Renewal Fund.

With regard to social value, the Council is now a formally accredited Real Living Wage employer, recognising that all staff are paid a fair wage. Discussions continue on how local partners can develop joint approaches to ensure the money they spend has maximum benefit for local people and communities. This will build on the growing list of commitments already secured via the Council's social value policy.

Since the start of the plan, key achievements across this theme have included:

- £31.6 million secured from the Towns Fund to carry out ambitious regeneration projects across the town centre, Eastwood and Templeborough.
- £12.6m awarded from the Future High Streets Fund to redevelop the markets and deliver a new central library.
- Funding approved and work is nearing completion on Parkway (A630) improvements.
- 44 new apartments completed at Broom Valley as part of the Rother Living development programme.
- Work has been completed on the upgrade of Greasbrough roundabout.

### New Ways of Working

Work has continued to develop new and existing digital processes to make it easier for customers and communities to access the services they need.

New systems and processes are now in place to allow customers to choose a collection date for requesting bulky waste online, including a redesigned form to improve the customer experience. The new web form went live on 9 November 2021 and as at end December 2021 there have been 596 bookings (404 online and 192 supported access through contact centres). The new digital process has delivered a bookable slot for customers, with

automated customer reminders and updates, enabled alignment with the operational zonal working model, and improved the effectiveness of back-office processes.

The new housing management system went live on 25 November 2021, bringing five existing IT systems into one integrated system. The online customer portal is also now live. The new system allows staff to deal with customer queries quicker as it provides a 360-degree view of the customer in one IT system, rather than staff reviewing multiple systems for information.

Following extensive engagement, a new Hybrid Working Policy was agreed by Staffing Committee on 22 September to enable employees to maximise performance and productivity, whilst maintaining a good work life balance.

The Council successfully applied to be a Kickstart scheme employer in early 2021 and identified 89 potential placements that would be suitable as part of this scheme. The first cohort of young people started in May 2021 and recruitment continued throughout the year. The Council is offering a range of roles, across all directorates, under the Kickstart Scheme. By 5 January 2022, 47 people had started a Kickstart role.

Since the start of the plan, key achievements across this theme have included:

- Introduced new online systems to enhance the customer experience:
  - Housing rent balance service launched, to keep in touch with tenants
  - Online garden waste collection service launched
  - Customers now able to choose a collection date when requesting a bulky waste collection online
  - Customers able to pin a location on a map when reporting an issue, such as reporting a faulty streetlight
- Pre-bookable face to face appointments now available for customers.
- New housing case management system bringing five existing IT systems into one integrated system.
- Staff have returned safely to Riverside House and new Hybrid Working Policy agreed and implemented to enable employees to maximise performance and productivity, whilst maintaining a good work life balance.
- Online videos have been used since the start of the pandemic to communicate key messages, share updates about community initiatives and provide customers with online self-help. From January - December 2021, 47 new videos were uploaded to the Council's YouTube channel for public access. Over the 12-month period these videos attracted 15,470 views. Three 'Town Centre Development' videos attracted the most interest with 5,062 views in total; Forge Island being the most popular at 2,900 views and eight Covid related videos attracted 2,578 views.
- Since September 2020, 57 wellbeing sessions have been delivered and 972 staff have attended.
- 47 Kickstart placements have been filled.



### Hope and Confidence in Rotherham

'Rotherham Round-up' was launched in June 2021 to provide regular news, video and event updates from the Council and help celebrate Rotherham as a place. The distribution list is growing and is being actively promoted via various channels, such as social media and the Council website. Over 7,800 people have subscribed to the 'council news' topic, from which this newsletter is sent.

Rotherham Show took place from 3-5 September with an estimated audience of 90,000 over the three-day festival.

The Civic Theatre reopened on 3 September 2021, following a major front-of-house renovation programme to create new performance spaces, a coffee shop encouraging daytime use, new box office facilities and a refurbished bar area.

The £24m funding provided for investments in the unclassified road network to improve its condition to the national average continued at pace. The unclassified network makes up around 700km of the total highway network of 1,170km. The delivery of the repair programme is being managed and delivered by in-house teams. The Council has also invested around £900,000 to repair footways.

As part of the 3-year litter bin programme, all 110 solar bins are now in place, as follows:

- 48 in town
- 50 in townships
- 12 in selected other locations across the borough.

The larger refresh programme of all streets litter bins is taking place over a two-year period and commenced on 13 September 2021.

The programme is initially focusing on:

- Litter bins that need replacement and repair immediately
- Badly damaged but useable litter bins
- Fibre glass bins in high footfall areas across each ward
- All plastic bins.

Since the start of the plan, key achievements across this theme have included:

- 7,869 Rotherham Round-up subscribers.
- The Great Big Rotherham To Do List toolkit launched, and 44,000 copies distributed - a fun, engaging, vibrant and comical fold-out guide to remind people of the positive things they're already doing for their mental and physical wellbeing, and to inspire them to try new things.

- 90,000 attended Rotherham Show in a COVID-19 safe way over the three-day festival.
- Hope Fields COVID-19 memorial opened to the public at Thrybergh Country Park.
- Civic Theatre has undergone major front-of-house renovations.
- #GetRidReyt campaign against fly tipping launched.
- Three zonal teams were established in October 2020 and have been completing the removal of local weed growth – over 130 areas have been subject to enhanced cleansing and all cycle route schedules are complete.
- Twelve wildflower areas trialled and positive feedback received.
- Strengthened enforcement action relating to fly tipping and non-payment of fixed penalty notices.
- New seven-day out of hours service launched – in 2020/21, the service actioned 2,091 requests.

### **Financial performance for the year**

Included alongside this report is the Council's annual Statement of Accounts. The Statement of Accounts summarises the Council's financial performance during the year ended 31<sup>st</sup> March 2022 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 2021/22 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*

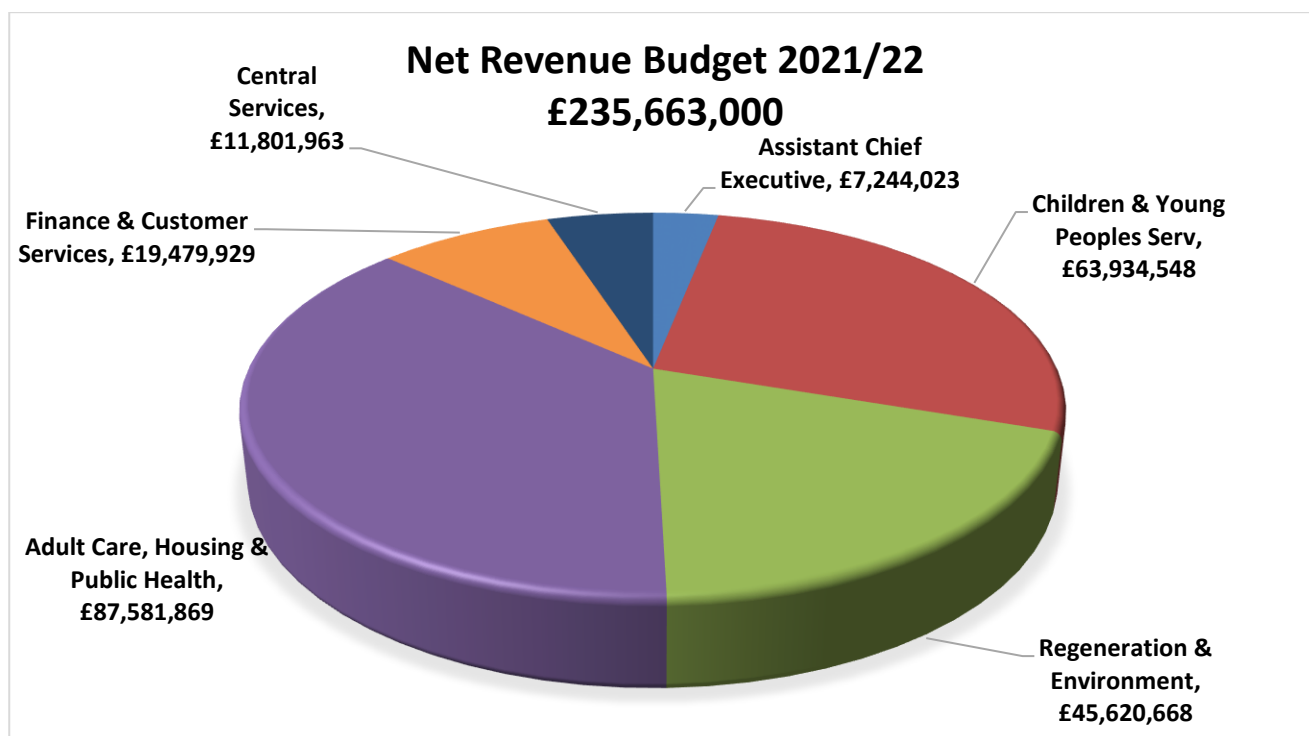
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue and the Police and Crime Commissioner).

## **Revenue & Capital Expenditure Outturns**

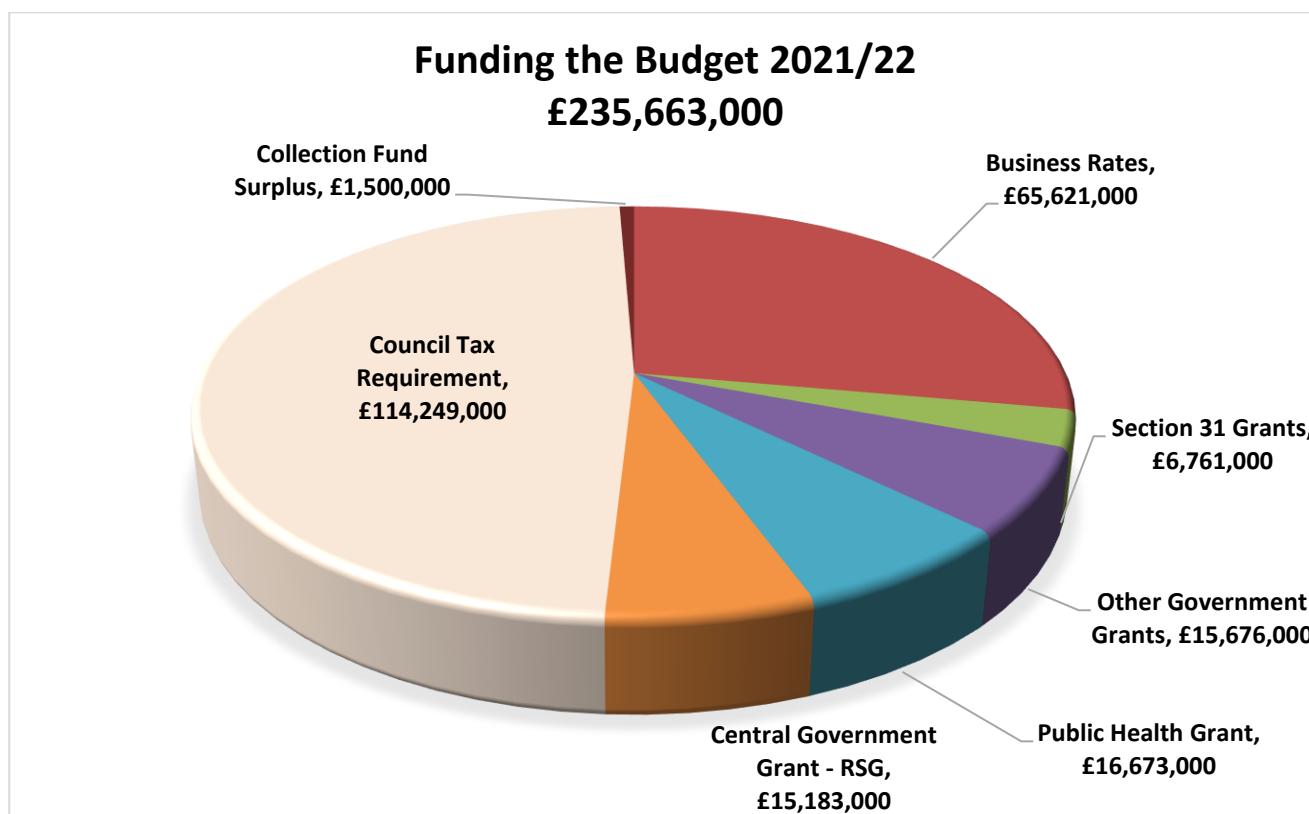
A summary of the Council's revenue and capital outturns for 2021/22 is included in the following paragraphs. Further details have been reported to Cabinet on the 11 July 2022. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. [Financial Outturn 2021/22](#)

### **Revenue expenditure overview**

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2021/22 was £235.663m (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 2021/22 was approved by Council on 3 March 2021. A budget of £235.7m was set for General Fund services; this excludes schools' budgets and the Housing Revenue Account (HRA).

The Council directorates had an overspend of £4.1m at 2021/22 outturn. Following not drawing down the planned use of £7.5m from the Budget and Financial Strategy Reserve and through use of £14m of Covid emergency support funding the Council's overall outturn was a £2.4m underspend. This has allowed the Council to transfer £2.4m into the Council's Budget and Financial Strategy Reserve, as per the recommendation within the Council's Budget and Council Tax report 2022/23 approved at Council 2 March 2022. This will help the Council to manage some continuing budget pressures in 2022/23 e.g. a further upward trend in the demand for home to school transport, along with the general pressures of the current high level of inflation and the significant increases in energy prices and the pay award.

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 £10.1m across the 2020/21 to 2024/25 financial years. The outturn position at the end of the March was a £5.9m overspend. The main reason for the overspend relates to placements which had a net financial pressure of £6.0m. The £6.0m overspend relates in the main to £4m on residential placements, £2.1m in emergency placements, offset by £100k savings on Supported Accommodation. In fostering there were £0.8m pressures on IFA placements due to numbers above the budget profile, offset by £0.8m savings in-house fostering due to numbers being lower than budget projections as outlined above. There were other small variances in the directorate bringing the position to £5.9m
- Adult Care, Housing and Public Health outturn was an underspend of £4.8m on general fund services: Adult Care (£4.1m); Housing (£152k) and Public Health (£568k). The main variances included within the outturn is the Covid-19 impact for the service. COVID-19 is estimated to have a net cost impact of £1.6m during 2021/22. Excluding the cost of COVID-19, the cost of care packages is a net £5.1m underspent. This is mainly due to savings on transforming care of £324k and reductions in the number of older people placements of £3.8m although Covid related placements are likely to be ongoing once temporary funding ceases. Across Mental Health packages, Physical and Sensory disability services and Learning disability placements there is a net underspend of £392k.
- Regeneration and Environment Services outturn was an overspend of £3.1m. The outturn position reflects the impact of ongoing demographic pressures in Home to School transport and the 'tailing' impact of the lockdown restrictions and resulting economic impact arising from them, on many of the Directorate's Services. For example, a continuation of the increases in waste tonnages resulting from greater

working from home, and the impact on income generation and cost pressures arising as a result of social distancing requirements and other Covid linked measures that were required to be put in place.

- A £0.6m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates, predominantly due to reduced demand on legal services, ICT contracts and savings generated through vacant posts as a result of staff turnover and challenges with recruitment.
- The outturn for the Central Services was impacted by the £0.8m pressure relating to the Regeneration & Environment Directorate's customer services saving that had been budgeted for centrally. However, the final outturn was a £0.6m overspend overall. This is mainly due to general efficiencies on centrally managed budgets that have delivered savings, for example the inflation budget for 2021/22 was based on 2% pay award, however, the final pay award was agreed at 1.75% in March 2022.
- Within Central Services, savings were delivered from a range of activities within the treasury management strategy (£5.6m), including effective cash flow planning and monitoring, along with management of the loans portfolio to take advantage of the low cost of short-term funds, whilst also securing £227m of new PWLB Long Term borrowing at an average rate of 1.5%.

In addition, the Council's initial outturn position allowed the Council to process several planned transfers to reserves:

- Not draw down any of the £7.5m Budget Strategy Reserve as planned within the 2021/22 Budget allowing it to remain within reserves.
- Draw down £13.6m of Covid Emergency Support grants and £0.4m of Sales, Fees and Charges income to support the 2021/22 outturn position that includes in excess of £14m of Covid related costs across budgeted spend, additionality, income losses and delayed delivery of savings.
- Transfer of Treasury Management savings of £5.6m generated in 2021/22 have been taken to a new Treasury Management Savings Reserve as approved within the Council's Budget and Council Tax Report 2022/23.
- £0.5m transfer to Budget and Financial Strategy Reserve to enable re-provision of 2021/22 revenue investments that have slipped into 2022/23 for delivery.

### **Schools' Outturn**

In addition to General Fund balances and reserves the Council also holds £3.794m relating to School Delegated Budgets. As can be seen below, this represents an increase of £0.613m on the previous year.

2020/21 £m		2021/22 £m
3.181	Unspent Schools' Budgets	3.794

### Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £2.1m, along with the revenue contribution to capital outlay remaining at the budgeted level of £6.5m. As a result of this the HRA was able to reduce the budgeted transfer from reserves by £2.1m. This reduction in planned use of reserves will help the HRA to mitigate the financial challenges presented by rising inflation and energy costs over the medium term.

The underspend relates to:

- £1.2m underspend on Repairs and Maintenance in the main as a result of Covid interventions which restricted activity during lockdown, fewer void works and slippage on some planned works into 2022/23.
- £1.1m underspend on supervision and management in the main due to vacancies, reduced costs running neighbourhood centres along with reduced ICT costs and fees for Right to Buy applications.
- £0.3m reduction to the bad debt provision due to well-maintained rent collection rates.
- £0.4m pressure on Cost of Capital interest rates on debt and underachievement of income across garage rents and District Heating.

### Reserves

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

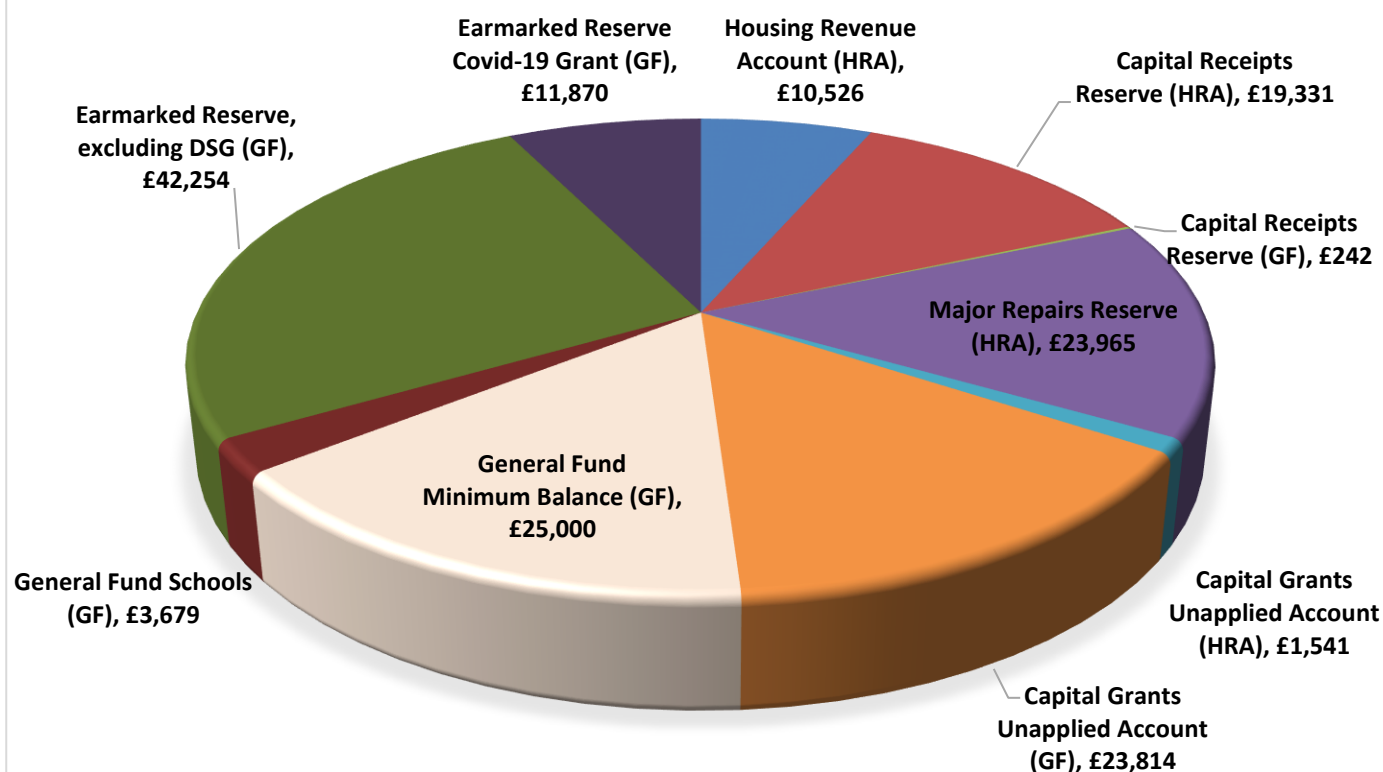
*Usable reserves* are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support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

*Unusable reserves* are funds that cannot be used to provide services or used for day to day running costs. The unusable reserves hold funds that have 'unrealised gains or losses'. For example, the Council has assets such as land and buildings whose value changes over time, so these funds can only be 'unlocked' and turned into usable funds if the assets are sold.

As at 31<sup>st</sup> March 2022, the Council held £162.222m of usable reserves, General Fund (£106.859m) and HRA (£55.363m). Included within this balance are capital reserves of £68.893m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £93.329m 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 £11.870m of grant funding in

relation to Covid related schemes, some of which has been delivered to provide support to businesses but has to be accounted for in 2022/23.

### Useable Reserves as at 31st March 2022 (£000's)



Reserves	General Fund £000's	HRA £000's	Total Reserves £000's
Housing Revenue Account	£0	£10,526	£10,526
Capital Receipts Reserve	£242	£19,331	£19,573
Major Repairs Reserve	£0	£23,965	£23,965
Capital Grants Unapplied Account	£23,814	£1,541	£25,355
General Fund Minimum Balance	£25,000	£0	£25,000
General Fund Schools	£3,679	£0	£3,679
Earmarked Reserve, excluding DSG	£42,254	£0	£42,254
Earmarked Reserve Covid-19 Grant	£11,870	£0	£11,870
<b>Total Reserves</b>	<b>£106,859</b>	<b>£55,363</b>	<b>£162,222</b>

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



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

### Capital Expenditure Overview

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

Total capital expenditure in 2021/22 amounted to £104.938m and is analysed by Directorate as follows:

<b>Directorate</b>	<b>2021/22 £m</b>
Children and Young Peoples Services	7.503
Assistant Chief Executive	0.099
Adult Care & Housing	3.616
Finance & Customer Services	1.777
Regeneration & Environment	47.837
Housing Revenue Account	44.106
<b>Total</b>	<b>104.938</b>

The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2021/22 £m</b>
Borrowing need	14.623
Major Repairs Allowance (MRA)	25.264
Grants & Other Contributions	48.426
Capital Receipts	10.098
Internal Funds (e.g. Reserves, etc)	6.529
<b>Total</b>	<b>104.938</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2021/22 £m</b>
<b><u>Non Housing</u></b>	
Aston Academy replacement classrooms	1.445
SEND Phase III Dinnington Adaptations works	1.564
Schools PFI Life Cycle Programme	1.146
Holmes Tail Goit Pumping Station	2.217
Forge Island Flood Defence	2.778

Parkway Widening	15.458
Greasborough Village Centre Traffic Sigs	1.382
Carriageway Resurfacing	2.158
Roads Programme	5.641
Additional Pothole funding	1.359
Furnished Homes	1.053
<b><u>Housing Investment Programme</u></b>	
Kilnhurst Externals	1.860
Wickersley Externals	1.566
The Lanes Roofing	4.085
Voids Programme	3.171
Replacement Central Heating programme	2.356
IHMS (IT System)	1.166
Fair Access to All programme	3.912
Strategic Acquisitions	1.340
New Build Provision - Millfold site	4.900
New Build Provision - Sheffield Road	7.667
New Build Provision – Henley’s site	4.557
<b>Total</b>	<b>72.781</b>

### Treasury Management & Prudential Indicators

A summary of the Council’s borrowing position as at the 31<sup>st</sup> March 2022 is shown below. Further details of the Council’s Treasury Management activities and prudential indicators were reported to the Cabinet Meeting on the 11<sup>th</sup> July 2022. The agenda for this meeting can be accessed through the Council & Democracy page of the Council’s website. [Annual Treasury Management Report and Actual Prudential Indicators 2021/22](#)

The Council’s borrowing levels are summarised below:

<b>As At 31 March 2021 £m</b>	<b>Long Term Borrowing</b>	<b>As At 31 March 2022 £m</b>
172.069	Public Works Loans Board (PWLb)	388.741
213.000	Market (e.g. Banks, Other Local Authorities)	198.000
	<b>Short Term Borrowing</b>	
302.500	Temporary Borrowing	180.500
	<b>External Investments</b>	
0.000	Debt Management Office	48.500
0.000	Other Local Authorities	137.000
47.830	Money Market Funds	39.350

<b>639.739</b>	<b>Net Borrowing</b>	<b>542.391</b>

## Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets 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 2021/22. 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 2021/22, however it should be noted that under the Accounts and Audit Regulations 2015, since 2017/18 local authorities are required to publish their unaudited accounts by 31<sup>st</sup> May, however due to Covid-19 implications and the results of the Redmond Review (a report on External Audits of Public Sector accounts) the deadline for publication of unaudited accounts has been pushed back to 31<sup>st</sup> July 2021, with final audited accounts initially due for publication by 30th September 2022, then being pushed back to 30th November 2022.

## Financial Outlook, Risks and Opportunities

Adult Social Care is experiencing significant pressures that are out of the Council's control due to a rise in complexity of people's needs. The adult care market has become volatile due the need to meet complexity but also the availability of staff to provide services. This is accelerating costs per hour to meet peoples' eligible needs. This is reflected across all service areas, including mental health where the sector has seen an incremental rise of acute admissions and people experiencing significant high levels of need, requiring mental health support. Due to the challenges in secondary health and community mental health social care, the service is experiencing further demands on the general adult care pathways which again is diverting stretched resources to respond.

There is therefore a need to recognise these escalating demand and market costs within this budget, relating in particular to transitions and the upward trend in the costs of adult care, which requires the Council to provide for around £11m extra costs in the budget for Adult Social Care services in 2022/23. Taking into account the complex pressures within Adult Social Care, this service presents the most significant financial risk within the Council's Budget and Medium Term Financial Strategy. The 2022/23 Budget and MTFs also needs to take into account the general upward cost pressures impacting on the costs of all services,

e.g. current high levels of CPI inflation and market and supply chain issues, driving cost increases.

The Budget and Council Tax Report 2021/22 noted that £18.1m of agreed budget savings and cost reductions were required to be delivered across the medium term. A significant volume of savings were predicated on assumptions about social care costs and market conditions. As noted in the Medium Term Financial Strategy (MTFS) update to Cabinet on 20 December 2021, despite changing demand pressures and wider economic factors affecting social care, the Council remains confident that most of the remaining savings will be achieved over time. £2m savings are being delivered in 2021/22 with £11.5m over the subsequent years. In addition to the savings to come from Directorates, significant further savings are being achieved from Treasury Management.

The Council's financial monitoring to Cabinet on 21st November 2022 reported £4.2m of planned savings had been delivered already for 2022/23, this includes £971k for Early Help & Social Care Pathway (reductions in social care teams linked to reducing caseloads) and £2.4m savings from reablement services. For R&E there has been £119k delivery of increased income at Waleswood and £97k in respect of planned cost reductions on operational buildings. Several assets are being made ready for disposal which will help progress toward delivering the property savings although the actual amount secured will be confirmed at the point of disposal.

This package of savings from a combination of Directorates and Treasury Management was considered to be robust and deliverable over the medium term and supported the balanced position shown in the Budget and MTFS over the next 3 financial years.

The provision of additional resources as part of the Financial Settlement and the proposed Council Tax and Adult Social Care Precept increase provides cover for some of the additional costs of adult social care. Along with continued strong performance in local taxation and careful management of reserves the Council Tax increase also allows for a small amount of investment in enhanced services, for 2022/23 onwards as approved within the Council's Budget and Council Tax report 2022/23.

Covid-19 will continue to add further complexity to the picture due to uncertainty in the pace and extent of recovery and the longer term impacts of the pandemic. Since the Council set its budget for 2022/23 several significant additional pressures have materialised, the war in Ukraine, energy prices rises, inflation and pay award. The energy price rises, inflation and pay award will impact the Council's costs in the provision of services. However, some of this cost impact will be mitigated in future years by increased core funding as business rates income is indexed to the rate of inflation. It is currently expected that the period of high inflation will last for around two years before returning to a more normal level. As such, the Council will face short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves. As such the Council's ability to build further capacity into those reserves as part of the 2021/22 outturn position is a significant benefit.

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

Though significant financial challenges have been faced, the Council has made significant strides over the last few years to establish robust, effective and prudent financial management arrangements. Through prudent budget planning, establishment of a more effective medium-term financial strategy and introduction of robust financial controls the Council's financial outlook is now far more positive. The Council's sound financial planning has enabled the creation of a reserves strategy that provides a reasonable level of general fund reserves, allowing reserves to be created to support the Council's budgetary plans, whilst streamlining the type and volume of reserves. The Council's treasury management strategies have been utilised effectively to support the Council's budget pressures, whilst putting the Council in a stronger position to manage its longer term capital financing.

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care and now significant inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2022/23 and medium term financial strategy.

The benefits of this new and improved financial reporting environment have been demonstrated clearly through the Council's management of the financial impact of Covid-19. The Council, like all authorities across the country, faced significant financial challenges, from additional Covid related costs, lost income and delays to planned savings, impacting on the Council's ability to manage its budget position for 2021/22.

However, the Council has continued to be 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.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £235.6m in 2022/23 together with capital expenditure of £285m, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. The updated Capital Programme includes a total of £565m of planned capital investment across the current year and up to 2025/26.

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 2026 and ensuring that agreed savings are delivered in line with revised timeframes.

**Judith Badger CPFA**

Strategic Director of Finance and Customer Services

Finance and Customer Services Directorate

Riverside House

Main Street

26

Rotherham  
S60 1AE

Date      29<sup>th</sup> November 2022

## **Council Report**

Audit Committee Meeting – 29<sup>th</sup> November 2022.

### **Title**

Annual Governance Statement 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, Finance and Customer Services.

### **Report Author(s)**

David Webster, Head of Internal Audit

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

All wards.

### **Report Summary**

On the 28<sup>th</sup> July 2022 the Audit Committee reviewed the Council's draft Annual Governance Statement (AGS) for the 2021/22 financial year. The draft AGS was published alongside the Council's financial statements. On 27<sup>th</sup> 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 2021/22 Annual Governance Statement

### **List of Appendices Included**

Annual Governance Statement 2021/22.

### **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 30<sup>th</sup> November 2021 "Code of Corporate Governance"

Audit Committee Report 28<sup>th</sup> July 2022, "Annual Governance Statement".

Audit Report 27<sup>th</sup> September 2022, “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 2021/22 AGS was published on 31 July 2022 and the final was published by 30<sup>th</sup> September 2022.
- 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 2021/22, 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 2021/22 AGS**

- 2.1 As a result of the review the following sections of the AGS have been amended:-
- Para 3.2, inclusion of the award for Most Improved Authority in 2021/22 at the Local Government Awards in July 2022.
  - Para 3.12, correction of the reporting of Grant Thornton's Annual Report for 2020/21.
  - Paras 4.4 to 4.7, updated to show the current position
  - Para 5.2, amended to show how the Action Plan is being monitored and reported.
- 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 30<sup>th</sup> November, taking account of any further comments made by the Audit Committee.

**3. Options considered and recommended proposal**

- 3.1 This paper considers the final AGS for 2021/22. 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 2022 meeting.

5.2 The Corporate Governance Group will ensure that the final AGS is published by 30<sup>th</sup> November 2022.

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

6.1 There are no direct financial implications other than the requirement to publish the AGS alongside the Council's Annual Finance Statements. There are no procurement issues.

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

7.1 There are no direct legal implications arising from this report, although it is a statutory requirement for an AGS to be published alongside the Council's Financial Statements. This report endeavours to set out how the Council intends to comply with that requirement.

## **8. Human Resources Advice and Implications**

8.1 There are no direct Human Resources implications arising from this report.

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

9.1 Any implications for the Children and Young People's Service and Adults Services are set out in the AGS attached at appendix A.

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

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

## **11. Implications for Partners**

11.1 There are no direct implications for our Partners in this report. The AGS has been constructed following consultation with all Directorates. Individual directorates are responsible for implementing action to respond to weaknesses identified in the AGS

## **12. Risks and Mitigation**

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

## **13. Accountable Officer(s)**

Judith Badger (*Strategic Director of Finance and Customer Services*)

# **ROTHERHAM METROPOLITAN BOROUGH COUNCIL**

## **Annual Governance Statement 2021/22**

## **ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2021/22**

### **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.
- 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 2021.
- 2.2 Throughout 2021 the Council's overall strategy was directed by the "Year Ahead" Plan which set out how the Council would work with Rotherham communities, residents, and businesses in 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.
- 2.3 The "Year Ahead" Plan was framed around 5 themes:
  - Thriving Neighbourhoods
  - Better Health and Wellbeing
  - Economic Recovery
  - New Ways of Working

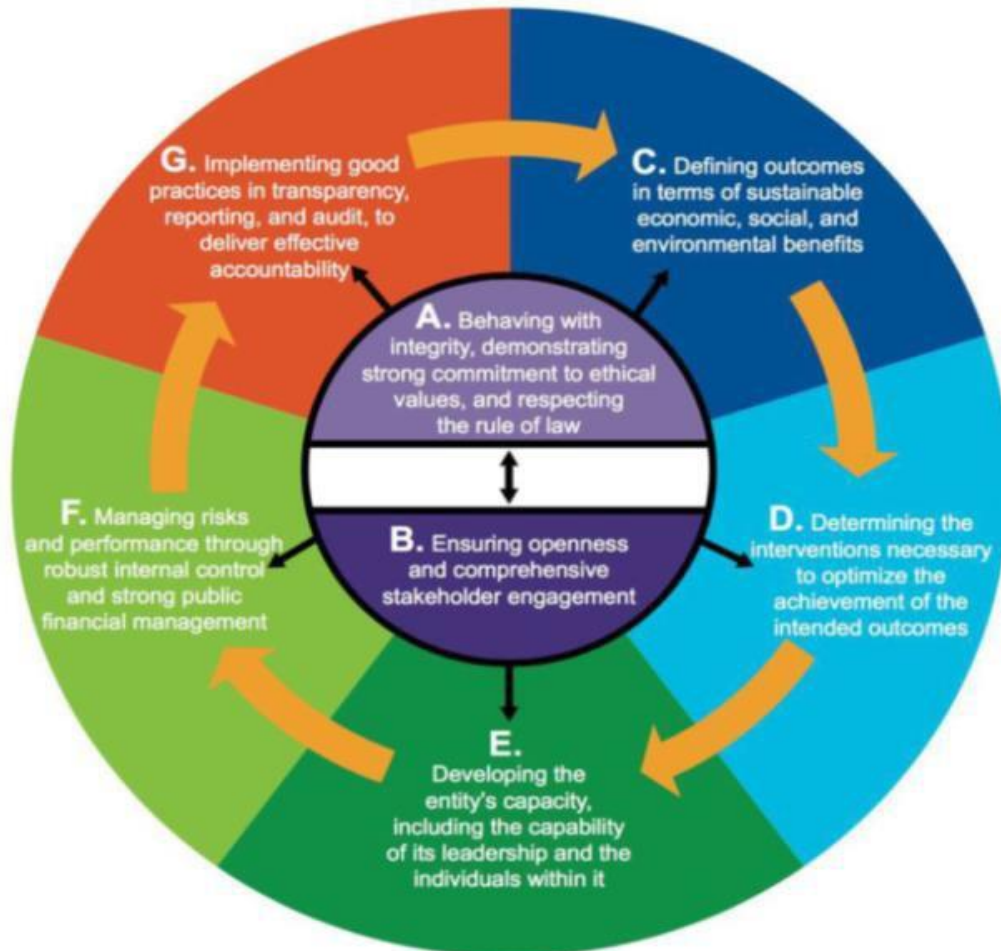
- Hope and Confidence in Rotherham
- 2.4 The plan also included the following cross-cutting strands, which were integral to each theme:
- Equalities and Social Justice
  - Climate Impact
- 2.5 The “Year Ahead” Plan was originally approved by the Council’s Cabinet in September 2020 and covered the period until June 2021. In June 2021 the “Year Ahead” Plan was extended until November 2021 to provide an appropriate period to develop a new longer-term Council Plan.
- 2.6 In January 2022 the Council approved the Council Plan 2022-25 and the Year Ahead Delivery Plan 2022, framed around five themes
- Every Neighbourhood Thriving
  - People are Safe, Healthy and Live Well
  - Every Child Able to Fulfil Their Potential
  - Expanding Economic Opportunity
  - A Cleaner, Greener Local Environment
- 2.7 The first quarterly report on progress on the new Council Plan and Year Ahead Delivery Plan was presented to the Council’s Cabinet on 20<sup>th</sup> June 2022 and focused on progress from 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022. The second report, covering the period to the end of July was presented to cabinet on 20<sup>th</sup> September 2022.
- 2.8 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.
- 2.9 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.

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

<b>Council Committee or group</b>	<b>Governance Function</b>
Full Council	Endorses the Constitution Approves the policy and financial frameworks Approves the budget and sets council tax Approves the Council Plan.
Cabinet	Primary decision-making body of the Council 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 within all Directorates of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work
Areas or disciplines which are not directly responsible for delivery of services, for example Performance Management, Risk Management, Finance, HR, Legal, Information Security, Health and Safety.	Responsibilities include designing policies, setting direction and ensuring compliance
Management. Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas.	Responsibilities include identifying risks and improvement actions

### 3 HOW THE GOVERNANCE FRAMEWORK IS APPLIED

- 3.1 The principles set out in both the CIPFA/SOLACE Delivering Good Governance Guidance and the Council's own Code are shown in the diagram below:



- 3.2 The table below indicates the detailed governance arrangements in place during the year and their operation, with reference to these principles:

Principle	Arrangements at Rotherham MBC
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken into account.</p> <p>The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy is in line with current national guidance.</p>

	<p>The Council has a Member/Officer Protocol which has been adopted by the Council. It is communicated to all Members and is emphasised 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. There has been an extensive programme of training and induction for all members following the “all out” elections in May 2021.</p>
<p>Principle B – Ensuring openness and comprehensive stakeholder engagement.</p>	<p>The Council is committed to openness and acting in the public interest. The original “Year Ahead” Plan was developed rapidly in response to the Covid pandemic. Following on from that Plan, a new Council Plan 2022-25 and the Year Ahead Delivery Plan 2022 were developed during the year after consultation with stakeholders as part of the development process. They are available on the Council’s website and all performance reporting against the Plans is presented in public meetings of Cabinet.</p> <p>Delivery of the vision in both the Council Plan 2022-25 and the Year Ahead Delivery Plan is embedded in day-to-day activities across the Council and is monitored through the performance management arrangements which are underpinned by an established framework.</p> <p>The Council conducts a Residents’ Satisfaction Survey every twelve months, based on the Local Government Association’s national model. The results have been reported through the performance management framework.</p> <p>The Thriving Neighbourhoods Strategy was published in 2018, covering the period 2018-2025. The Strategy sets out the way in which the Council will work with and listen to its communities. It commits the Council to listening and acting on feedback and working with partners to plan for the future. During 2021/22 this Strategy has continued to become embedded in the Council’s methods of working, especially through the Covid pandemic as neighbourhoods were the cornerstone of the response. As part of this development, a series of regular ward newsletters were continued to improve public awareness of developments in their local areas and improve community engagement.</p> <p>Fortnightly newsletters are also produced for Council members with additional ‘special’ bulletins produced to cover significant issues. These summarise key developments and issues in the Council to enable them to perform their roles effectively.</p> <p>A Consultation and Engagement Policy was developed in 2019. This Policy sets out the Council’s commitment to consult and engage with the public and states that the Council will listen, inform and work in partnership with service users and stakeholders, including their views in the shaping, commissioning and delivery of services wherever possible. The Policy was refreshed in 2021/22 and is underpinned by a consultation toolkit</p>



	<p>for services to use so that they comply with the Policy.</p> <p>The Rotherham Together Partnership is well established. The Partnership strategy, The Rotherham Plan 2025, was published in early 2017. The Rotherham Plan is currently in the process of being updated with the aim that this will be published in December 2022.</p>
<p>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>The Council's five-year Council Plan came to an end in March 2020. The Council Plan is aligned to the election cycle but, as a result of Covid, elections were delayed until May 2021. As a result, 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. Following the elections in 2021, the Plan was subsequently extended until November 2021. In January 2022 the new Council plan 2022-25 and associated Year Ahead Delivery Plan 2022 were approved by Council. All the plans have been monitored throughout the year in line with the Council's Performance Management Framework, which was itself revised in April 2022. This monitoring involves quarterly consideration of the outcomes in public sessions of Cabinet and the Overview and Scrutiny Management Board.</p> <p>Sitting alongside the Year Ahead Plans are numerous other strategies which set out more detail around the required outcomes. These include the Rotherham Housing Strategy, Rotherham Economic Growth Plan, Safer Rotherham Strategy, Rotherham Local Plan Core Strategy, Municipal Waste Management Strategy and the Rotherham Health and Wellbeing Strategy.</p> <p>Because of the pandemic, during the 2021-22-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 has been reinstated for 2022-23 and Service Plans were in place for all services by 1 April 2022.</p> <p>In addition to the above, the Council's Risk Management framework links to the relevant plans and enables Strategic and Directorate Leadership Teams to monitor and respond to the risks around each key element of the plan that they are accountable for.</p>
<p>Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>As set out above, the Year Ahead Plan and associated Service Plans form the basis for all interventions planned by the Council. All business decisions are accompanied by a business case and options appraisal and the corporate report templates require information explaining the legal and financial implications of decisions.</p>

	<p>Delivery of the Plans continues to be monitored through Quarterly Monitoring Reports and the Council has a suite of performance reports which are aligned to the Year Ahead Plan priorities.</p> <p>All decisions need to be taken in the context of the Medium-Term Financial Strategy, the Capital Programme and the Revenue budget process.</p>
<p>Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<p>The Council has been working with the Local Government Association to support the development of all councillors, and this will continue in future years. Personal development planning was available to all Members during 2021/22 and take up reached 100% prior to the latest elections in May 2021. The Member Development Programme is continually being refreshed with elected Members encouraged to provide topics of interest that they would like to see included. A survey of members is currently being undertaken which includes questions relating to development and the overall Member Development Programme is reviewed at each Member &amp; Democratic Panel Meeting.</p> <p>The roles of the Leader, the Cabinet, all Members and the Statutory Officers are included in the Constitution.</p> <p>Job descriptions are in place for all posts throughout the Council and these are supported by recruitment and appointment policies and procedures. There is a comprehensive training programme for officers linked to the recently approved refreshed Workforce Development Plan. The Plan aligns with the Council Plan and the new strategy has been developed in tandem with the Council Plan. Each Council employee has a Personal Development Plan which links to their service's Service Plan and is reviewed at regular intervals.</p> <p>A series of projects are in place to deliver service 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 achieve ambitions and adapt to service demands in a "post Covid" environment.</p>
<p>Principle F - Managing risks and performance through robust internal control and strong public financial management.</p>	<p>The Council has a Risk Management Policy and Guide which is fully embedded. The Guide was reviewed in November 2021 having last been rewritten in November 2019. This Policy requires the Strategic Risk Register to be reviewed at regular intervals by the Strategic Leadership team and for Directorate and Service level risk registers to be reviewed at least quarterly.</p> <p>Corporate report templates all contain 'risk implications' sections and Risk Management also links closely to Service Plans. The Audit Committee reviews risks and the Risk Management process at every meeting. Performance Reports are aligned to Council Plan priorities and are considered in public and are also linked to the Risk Policy.</p>

	<p>The Council has an Anti-Fraud and Corruption Policy and Strategy which comply with the CIPFA Code of Practice and an Internal Audit function which issues an annual opinion on governance, risk management and internal control. The Council also has a Corporate Information Governance Group which is responsible for improving its approach to securing information. This group is supported by a dedicated Information Governance team as well as ongoing monitoring of Data Protection Act / Freedom of Information compliance.</p>
<p>Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p>	<p>The Council's approach to transparency includes the publication on its website of details around budgets and spending, Senior Officer remuneration, Performance Information and reports, the Annual Report and Statement of Accounts and the Annual Governance Statement.</p> <p>The Code of Corporate Governance is refreshed annually in accordance with CIPFA/SOLACE principles and any documents proposed for publication are scrutinised and approved by Strategic Leadership Team, Cabinet and Audit Committee prior to publication.</p> <p>The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year. The Audit Committee meets six times a year and receives reports from both Internal and External Audit. The Audit Committee Terms of Reference are based on CIPFA guidance.</p> <p>The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the Council's responses are reported to the relevant Overview and Scrutiny Committee and made available via the website.</p> <p>An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team and Cabinet.</p>

The Council won the award for the Most Improved Authority at the Local Government Awards in July 2022. This is an indication of the improvements in the governance structure and is linked to the principles highlighted above.

[Local Government awards - Rotherham is 'Most Improved Council' – Rotherham Metropolitan Borough Council](#)

### **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
  - The operation of the Constitution
- 3) The Section 151 Officer who has oversight of the proper administration of the Council's financial affairs
- 4) Information Governance, which is monitored by:
  - The Designated Senior Information Risk Owner (SIRO)
  - Data Protection procedures
  - Information Security and Records Management procedures
- 5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry out scrutiny of specific topics
- 6) The Audit Committee which;
  - Reviews the effectiveness of internal and external audit
  - Considers the adequacy of the internal control, risk management and governance arrangements
  - Carries out a Self-assessment
- 7) Internal Audit who produce;
  - An annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements
  - An Internal Audit plan, reports and audit action tracking, all 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 Audit's 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. The internal assessment at the end of 2021 confirmed that this standard has been maintained.

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 28<sup>th</sup> June 2022. The report confirmed positive progress had been made during the year, with 85% of audits resulting in a positive opinion, similarly to 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 areas identified will be followed up in 2022/23.
- 3.10 Internal Audit concluded that the Council has maintained overall an adequate and effective framework of governance, risk management and control throughout the year, based on their work undertaken throughout the year.

### **External Audit**

- 3.11 The Council's external auditor is required each year to carry out a statutory audit of the Council's financial statements and give an assessment of the Council's value for money arrangements. Grant Thornton issued an unqualified opinion on the Council's financial statements for the year ended 31<sup>st</sup> March 2021 on 3<sup>rd</sup> December 2021.
- 3.12 In their Annual Report relating to 2020/21 issued in April 2022 Grant Thornton found no significant weaknesses in the Council's arrangements for financial sustainability and governance. They identified one significant weakness and made a key recommendation as a result of the Ofsted and CQC inspection around implementing SEND reforms. Further information concerning the inspection are given in paragraphs 5.4 to 5.7.
- 3.13 Grant Thornton will issue their opinion on the 2021/22 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)**

- 3.14 The Council complies with the financial management standards as set out within the CIPFA Financial Management Code (FMC). The Council's Financial and Procurement Procedure Rules (FPPR's) provide the bedrock of the Council's financial governance, setting clear principles as to how the Council manages and controls its financial decision making. These FPPR's are routinely reviewed to ensure they are kept up to date with the current financial environment, new financial standards and the ever-changing local authority financial conditions.
- 3.15 The Council's 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 Council's level of reserves. However, any significant longer-term planning is hindered by Government's reluctance to provide a financial settlement that is greater than a year ahead.

- 3.16 The Council's 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 Finance.
- 3.17 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 2020/21**

##### **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. The model continues to be embedded and reviewed.

##### **Information Governance**

- 4.2 In last year's Annual Governance Statement, it was reported that the Council had not obtained a Public Services Network (PSN) certificate. This did not have any impact on the business of the Council although there remained a risk

should that have continued that the Council's permissions to share confidential data with other organisations could be removed. 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 submitted the 2022 PSN submission to the Cabinet office earlier in the year and obtained a PSN certificate. The Council will work hard to continue to maintain certification in future years.

- 4.3 The rate of completion for Freedom of Information Requests and Right of Access Requests remains reasonably static. 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 Budget and Council Tax Report 2021/22 noted that £18.1m of agreed budget savings and cost reductions were required to be delivered across the medium term. A significant volume of savings were predicated on assumptions about social care costs and market conditions. As noted in the Medium Term Financial Strategy (MTFS) update to Cabinet on 20 December 2021, despite changing demand pressures and wider economic factors affecting social care, the Council remains confident that most of the remaining savings will be achieved over time. £2m savings were delivered 2021/22 with £11.5m over the subsequent years. In addition to the savings to come from Directorates, significant further savings are being achieved from Treasury Management.
- 4.5 The biggest challenge for the Council within the approved budget for 2022/23 remained 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.



2022/23 has seen new significant challenges for the Council's financial monitoring that could not have been anticipated at the time of setting the 2022/23 budgets. The impact of the war in the Ukraine on inflation and energy prices, along with a higher than anticipated Local Government Pay Award has created £10.1m of additional cost pressure for the Council that is out of the Council's control. Taken together with demand pressures in the main across CYPS Placements, Homelessness and Home to School Transport the Council reported an £18.2m forecast overspend for 2022/23 as at September's financial monitoring. This position is being closely monitored with the Council making good progress to identify mitigations to address the £8.1m pressure relating directly to Council Directorates, however, it is clear that the cost impacts out of the Council's control of £10.1m will require use of reserves. The Council's position is reflective of the national picture.

## **COVID-19**

4.8 Following the national government's introduction of "lockdown" on 23rd March 2020 the Council had to respond at considerable pace to the COVID-19 pandemic in order to help the residents of the Borough to stay safe and support local businesses and key partners. This response continued throughout the majority of 2021/22. Although all domestic legal restrictions relating to Covid ceased on 24 February 2022, the Council continued to monitor the incidence and impact of Covid throughout the year and up to date.

4.9 Previous Annual Governance Statements have set out in detail the Council's response and the necessary management changes brought about by the need to prioritise the safety of residents and staff. Throughout 2021/22 the Council maintained its additional controls, including a Gold group, led by the Chief Executive; Silver, led by the Director of Public Health and finally Bronze, which has been led by the Head of Service for Covid. In parallel to incident response and management arrangements, the Council also formally established recovery arrangements to cover the following key aspects:

- Workforce
- Mental Health and Wellbeing
- Economic, Jobs and Skills Recovery
- Schools and Education

4.10 The Council's Gold response and recovery arrangements stood down at the end of 2021/22 although the Council remains ready to initiate command and control structure if required either in relation to Covid or other types of Major Incidents. The Council's Gold group agreed a comprehensive debrief process following the major incident activity spanning the previous two years. This work provided an overview report to a meeting of all Strategic and Assistant Directors in June 2022, including feedback and recommendations for further

work which will be linked to one of two areas:

- Major Incident Arrangements
- Business Continuity

- 4.11 As reported last year, 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. However, services had returned to normal by the end of 2021/22.
- 4.12 Following the delayed local elections in May 2021, work started on the development of a new Council Plan. The previous Council Plan ceased at the end of 2019/2020 and, due to the impact of the pandemic, was replaced by a "Year Ahead" plan to ensure the Council maintained its strategic direction in the intervening period. This "Year Ahead Plan" remained in place until November 2021 and was itself replaced by a new Council Plan from January 2022. The new Council Plan covers the period 2022-2025 and is supported by a "Year Ahead Delivery Plan". Both of these are subject to continued quarterly public performance reporting. More details are provided in the table at paragraph 3.2.
- 4.13 As reported last year, the requirement for service plans was suspended to enable the rapid restart of Council Services and delivery of the Year Ahead Delivery Plan. Through the Year Ahead Delivery Plan, each Directorate was able to focus on their priorities throughout 2020/21 and 2021/22. Mandatory Service Plans have now been reintroduced in line with the development of the new Council Plan and all services had approved plans in place by the end of 2021/22 ready for the new financial year 2022/23.

## **5 OTHER SIGNIFICANT ISSUES ARISING DURING 2021/22**

### **Ombudsman Reports**

- 5.1 During the year RMBC received two reports from the Local Government and Social Care Ombudsman.
- 5.2 The first was a Public Interest Report which found that there was fault by the Council which caused injustice to two residents. The report made five recommendations which were accepted by the Council. An Action Plan has been produced detailing how and when the Council will meet those recommendations and how it will provide the Ombudsman with the evidence it requires. The report was presented to the Audit Committee in April 2022 in line with the Committee's Terms of reference 'to consider reports on the effectiveness of internal controls and monitor the implementation of agreed

actions. The Report was also made available to Council through the minutes of Audit Committee on 25<sup>th</sup> May 2022. The report has been made available to the public in hard copy from Riverside House reception and the Council has placed two public notices in local newspapers as directed by the Ombudsman. The Ombudsman has also publicised this via its own website and has advised its media partners. On 15<sup>th</sup> June 2022 the Ombudsman thanked the council for their comprehensive response and readiness to improve the services and stated formally that he was satisfied with the Council's response in accordance with section 31(2) of the Local Government Act 1974. Progress on the completion of the Action Plan is being monitored and will be reported to the Audit Committee.

- 5.3 The second report found that there was fault by the Council which caused injustice to the Complainant. The Ombudsman directed that the findings are not made public as to do so would mean identifying the Complainant. The report was presented to the Audit Committee in private session. The Council has responded to the Ombudsman setting out the work that has been completed and that all the actions required have been discharged. On 6<sup>th</sup> July 2022 the Ombudsman welcomed the action taken by the Council and stated formally that he was satisfied with the Council's response in accordance with section 31(2) of the Local Government Act 1974.

### **Special Educational Needs and/or Disabilities (SEND) Inspection in Rotherham**

- 5.4 In July 2021 Ofsted and the Care Quality Commission conducted a joint inspection of the local area of Rotherham to judge the effectiveness of the area in implementing the SEND reforms as set out in the Children and Families Act 2014. The report summarised strengths and areas for development in the effectiveness of identifying children and young people with SEND, meeting their needs, and improving outcomes for them.
- 5.5 As a result of the findings a Written Statement of Action (WSOA) was required because of significant areas of weakness in the local area's practice, to be submitted jointly by the RMBC and the area's Clinical Commissioning Group (CCG). The WSOA had to explain how the local area would tackle the areas of weakness.
- 5.6 The WSOA was submitted to Ofsted in January 2022 and was approved by them. Work is now underway to deliver improvements required across the Council and in NHS services, with strengthened governance in place to monitor progress. Regular updates between the Local Area SEND system managers, the Department for Education and NHS Improvement are in place, with supportive aspects being offered from the Department for Education.
- 5.7 Partnership governance has been further strengthened in relation to SEND to ensure robust local area response to addressing all aspects of this area, not just the WSOA, with strong visible leadership from senior leaders in the Council

and CCG.

### **Homes England Report**

- 5.8 Homes England is an executive non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities. It part-funds housing developments by providing grants to local councils, including RMBC. Councils must comply with Homes England's policies, procedures and funding conditions when receiving the grants.
- 5.9 During the year the council received a 'red status' audit report from Homes England – serious failure to meet requirements, because certain key requirements had not been met at the point the grant was drawn down for two housing development schemes. Immediate action was taken to prevent recurrence of these issues and further necessary measures have been identified and captured in an action plan. Confirmation of this has been supplied to Homes England.

### **Youth Offending Team**

- 5.10 A Youth Justice Board Peer Review of the Youth Offending Team (YOT) was completed in March 2022, after an inspection by Her Majesty's Inspector of Probation in 2020 had concluded that it Required Improvement. Since then an improvement action plan has been followed and the YOT Board has been strengthened. The Peer Review found that positive improvements had been made, and also gave feedback on areas that continue to need focus.

### **Health and Safety Executive**

- 5.11 On 29<sup>th</sup> November 2021 the Health and Safety Executive made the Council aware of an investigation it is undertaking into allegations concerning hand arm vibration. The final outcome of the investigation is expected later in 2022.

## **6 SIGNIFICANT EVENTS OR DEVELOPMENTS AFTER YEAR END**

- 6.1 There have been no significant events or developments relating to the governance system between the year-end and the date on which this statement has been published.

## **7 LEADER AND CHIEF EXECUTIVE STATEMENT 2021/22**

- 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. We have also specifically considered the new significant issues noted in section five and

their potential impact on our overall governance. Our final 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 this financial year, the Council will take appropriate steps to address the significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed..... 

**Councillor Chris Read,  
Leader, Rotherham MBC  
Date:**

Signed 

**Sharon Kemp,  
Chief Executive, Rotherham MBC  
Date:**

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Public Report  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Information Governance/GDPR Annual Report 2021/22

**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

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Paul Vessey, Head of Information Management

[paul.vessey@rotherham.gov.uk](mailto: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 2021/22.
2. Note that it is a 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

Appendix 2 Data Breaches

**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](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



## **GDPR Annual Report 2021/22**

### **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 currently 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 Right of Access requests performance is 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 six to seven months to complete.

- 2.2.2 Despite performance remaining low there has been an increase in the number of both requests that have been received and those which have been responded to within the statutory time period.
- 2.2.3 The overall number of Freedom of Information Requests received has remained static and there has been a small decline in the number of requests responded to within the statutory time period. Analysis of the data did not raise any significant concerns during the year's performance.
- 2.2.4 No valid Freedom of Information requests have been refused, except for one individual who has been issued with a Single Refusal Notice for vexatious requests.
- 2.2.5 Appendix 1 provides FOI and RoAR performance for the last four financial years.
- 2.2.6 Performance will continue to be closely monitored with the focus on improvement.
- 2.2.7 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 cannot be known whether it may take four weeks or four months to complete.

### **3. Data Protection Incidents and Breaches**

- 3.1 The Council actively encourages services to report any suspected data incidents and all reported cases are investigated. Appendix two provides a breakdown of the number and classification of incidents.
- 3.2 Monitoring information security incidents enables the Council to proactively improve the Council's risk profile by learning lessons from an incident and reducing the likelihood of it happening again. By monitoring and responding to incidents within a 'no blame culture' has ensured that even the smallest of concerns are raised.
- 3.3 Most data breaches are assessed as low risk or below the threshold for statutory reporting.
- 3.4 One data breach was reported to the Information Commissioner's Office in 2021/22 financial year. This was a processing oversight by a small partner business and was contained. Following both the Council and the business each submitting a full report to the Information Commissioner, no further action was required.

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

- 4.1 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.

- 4.2 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.

**5. Consultation on proposal**

- 5.1 None

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

- 6.1 None

**7. 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)**

- 7.1 There are no direct financial or procurement implications arising from this report.

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

- 8.1 There are no legal implications arising from this report, except to reiterate that the council has a duty to comply with Data Protection legislation.

**9. Human Resources Advice and Implications**

- 9.1 There are no direct implications for HR arising from this report.

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

- 10.1 There are no direct implications for children and young people or vulnerable adults arising from this report.

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

- 11.1 There are no direct equalities or human rights implications arising from this report.

**12. Implications for Partners**

- 12.1 There are no direct implications for partners arising from this report.

### **13. Risks and Mitigation**

13.1 Risks and mitigation will be managed by CIGG and the council's risk processes.

### **14. Accountable Officer(s)**

Luke Sayers, Assistant Director- Customer, Information and Digital Services  
[luke.sayers@rotherham.gov.uk](mailto:luke.sayers@rotherham.gov.uk)

Paul Vessey, Head of Information Management  
[paul.vessey@rotherham.gov.uk](mailto:paul.vessey@rotherham.gov.uk)

*Report Author:*

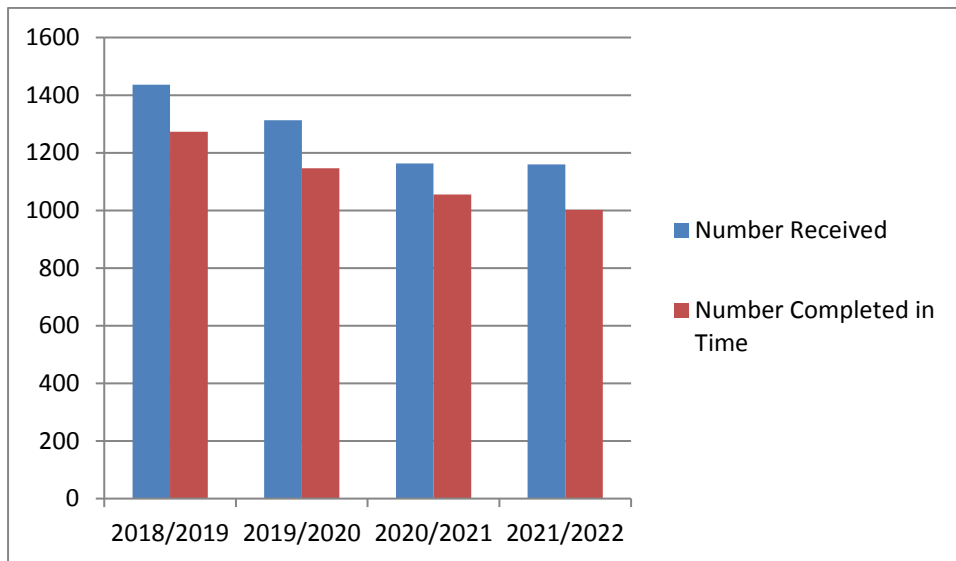
*Luke Sayers, Assistant Director- Customer, Information and Digital Services*  
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This report is published on the Council's [website](#).

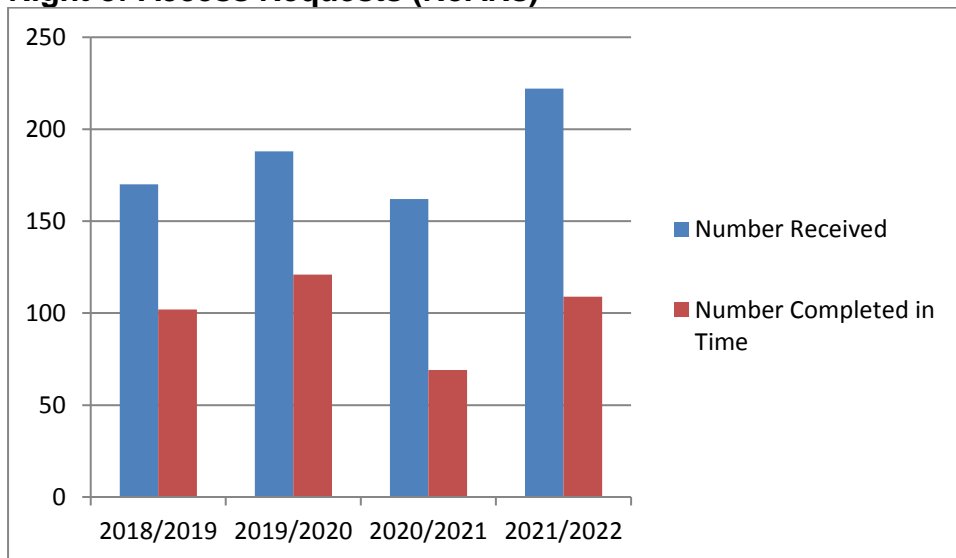
## Appendix 1: FOI & RoAR Statistics

### Freedom of Information (FOI) Requests



Year	Number Received	Number Completed in Time	% Completed in Time
2018/2019	1436	1273	89%
2019/2020	1313	1146	87%
2020/2021	1163	1055	91%
2021/2022	1160	1002	86%

### Right of Access Requests (RoARs)



Year	Number Received	Number Completed in Time	% Completed in Time
2018/2019	170	102	60%
2019/2020	188	121	64%
2020/2021	162	69	43%
2021/2022	222	109	49%

**Appendix 2: Data Incidents**

<b>Information Security Incident Stats 2021/22</b>						
Cases Investigated	Total number of incidents	Reported to ICO	Complaints from ICO			
179	122	1	0			
Incident Category	FACS	ACH	R&E	PH	CYPS	ACX
Lost in Transit						
Lost or stolen hardware						
Lost or stolen paperwork	1				1	
Disclosed in Error	19	21	9		48	9
Uploaded to website in error			1			1
Non-secure Disposal – hardware						
Non-secure Disposal – paperwork						
Technical security failing					1	1
Corruption or inability to recover electronic data						
Unauthorised access/disclosure		1			3	3
Social Media Platforms						
IG Other			2		1	
<b>Totals of Incidents 21/22</b>	20	22	12		54	14

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2022/23

**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)**

Ian Bagshaw

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**Ward(s) Affected**

Borough-Wide

**Report Summary**Mid-Year Treasury Review

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 outturn report.

This report is the mid-year review for 2022/23. 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 2022/23 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).

**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 – 2022/23.

**Background Papers**

Budget and Council Tax Setting Report 2022/23 to Council on 2nd March 2022, Including the Treasury Management Strategy 2022/23

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

**Council Approval Required**  
No

**Exempt from the Press and Public**  
No.



<b>1.</b>	<b>Background</b>
1.1	<b>Mid-Year Treasury Review</b> – 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 14 <sup>th</sup> February 2022 and approved by Council on 2nd March 2022.
<b>2.</b>	<b>Key Issues</b>
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	<p>a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.</p> <p>b. Borrowing – The Council will maintain it's strategy of being under-borrowed against the capital financing requirement. The Council borrowed £227m of long term PWLB funds during 2021/22 to take advantage of the low PWLB interest rates available at the time. This was replacing short term borrowing as it matured. No borrowing has taken place during 2022/23 as the Council has cash balances remaining from the borrowing taken in 2021/22, that it has been able to invest a on short term basis to generate additional income for the Council. Making use of the current financial market conditions, which have lifted investment returns.</p> <p>Crucially, it is not expected that the Council will need to borrow any funds for the remainder of the 2022/23 financial year. This is helpful given borrowing rates have risen significantly during 2022/23 and are expected to peak in December 2022 before falling during 2023/24. As a result the Council has made significant savings on borrowing costs, against the plan set out in the Medium Term Financial Strategy, as the Council has not been required to borrow in the current high interest rate market. Moving forwards the Council will use a short term borrowing strategy if any borrowing is required, to mitigate costs. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2023/24 report to Council in March 2023.</p> <p>c. Governance - strategies and monitoring are reviewed by Audit Committee.</p> <p>d. Whilst the Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, has generated significant savings for the Council, essential to achieving balanced budgets, the future outlook is more challenging. With increasing interest rates for borrowing, as a result of the increases in the Bank of England Base Rate, when the Council does need to borrow, it will be at much higher levels</p>

	than had been assumed in the Council's approved Medium Term Financial Strategy. The increases in borrowing rates could not have been projected by the Council and work is underway to plan how the Council can best navigate through the current challenges presented by the financial markets. It should be noted that it is expected that borrowing rates will reduce over the next couple of years, linked to the projections that inflation will return back to the Bank of England's target 2% level.
<b>3.</b>	<b>Options considered and recommended proposal</b>
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.
<b>4.</b>	<b>Consultation on proposal</b>
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 will continue to monitor borrowing rates and inform the Council if there are opportunities to borrow at advantageous rates.
<b>5.</b>	<b>Timetable and Accountability for Implementing this Decision</b>
5.1	The report is for Audit Committee information and noting.
<b>6.</b>	<b>Financial and Procurement Advice and Implications</b>
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 2022/23 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	The current strategy is to maintain the Council's position of being under-borrowed against the Capital Financing Requirement. Due to the PWLB borrowing taken out in 2021/22 it is not anticipated that any further borrowing will be required during 2022/23, as a result the Council will make significant savings on borrowing costs during 2022/23, whilst also making greater investment returns through having greater cash balances to invest. The Council will continue to seek opportunities to convert its short term borrowing into long term when PWLB rates allow. Given the significant increases in interest rates during 2022/23 this is not currently possible, but rates are forecast to fall during 2023/24. Therefore, this remains under review given that market conditions can fluctuate significantly, a further update will be provided as part of the Council's Treasury Management Strategy for 2023/24.
6.4	There are no direct procurement implications arising from this report.

<b>7.</b>	<b>Legal Advice and Implications</b>
7.1	It is a requirement that changes to the Council's prudential indicators are approved by Council
<b>8.</b>	<b>Human Resources Advice and Implications</b>
8.1	There are no Human Resource implications arising from the report.
<b>9.</b>	<b>Implications for Children and Young People and Vulnerable Adults</b>
9.1	The report does not impact the Children's and Adult Social care budgets.
<b>10.</b>	<b>Equalities and Human Rights Advice and Implications</b>
10.1	There are no implications arising from this report to Equalities and Human Rights.
<b>11.</b>	<b>Implications for CO2 Emissions and Climate Change</b>
11.1	No direct implications.
<b>12.</b>	<b>Implications for Partners</b>
12.1	There are no implications arising from this report to Partners or other directorates.
<b>13.</b>	<b>Risks and Mitigation</b>
13.1	Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.
<b>14.</b>	<b>Accountable Officers</b>
	Rob Mahon, Assistant Director Financial Services
	Owen Campbell, Head of Corporate Finance

## **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 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 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 2022/23 were previously reported to Cabinet on 14<sup>th</sup> February 2022 and approved by Council on 2nd March 2022.
- 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. On investment the main challenge relates to concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties. The Bank of England base rate has risen from 0.75% to 3% during 2022/23 which has significantly increased the interest available on investments.
- 1.6 The Council's use of long term PWLB borrowing during 2021/22 (£227m) resulted in the level of short term borrowing gradually falling as short term borrowing matured. With the Council carrying this £227m, there was no requirement for the Council to borrow during 2022/23 whilst rates have soared. Allowing the Council to temporarily reduce borrowing costs, through reliance on cash borrowed during 2021/22. This has provided certainty of borrowing costs and mitigated the risk of borrowing having to be taken in the future at higher rates.
- 1.7 PWLB rates fluctuate, during 2022/23 to date the rates have seen highs of 5.5% for a 50 year PWLB loan and lows of 2.42% with the 50 year rate currently standing at 3.87%. These are the highest rates for a number of years. This further emphasises the positive deals that the Council took during 2021/22, with the £227m being borrowed at an average of 1.53%. Short term borrowing rates have also increased with 6 month borrowing rates standing at around 3.1%, compared with 0.02% in September 2021. This has not affected the Council's borrowing costs during 2022/23 as no borrowing has been taken and rates have

not changed on existing loans. 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 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 2022).

## **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 and new scheme approvals during the year.

<b>Capital Expenditure by Service</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Children and Young People's Services	11.051	13.789
Assistant Chief Executive	0.210	0.496
Adult Care & Housing	6.065	7.659
Finance and Customer Services	7.609	7.739
Regeneration and Environment	148.567	99.892
Capitalisation Direction	6.000	1.000
<b>Total Non-HRA</b>	<b>179.502</b>	<b>130.575</b>
Adult Care & Housing – HRA	65.272	43.272
<b>Total HRA</b>	<b>65.272</b>	<b>43.272</b>
<b>Total</b>	<b>244.774</b>	<b>173.847</b>

## **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.

<b>Capital Expenditure</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Total spend	244.774	173.847
<b>Financed by:</b>		
Capital receipts	11.528	5.697
Capital grants, capital contributions & other sources of capital funding	152.453	111.964
Borrowing Need	80.793	56.186
<b>Total Financing</b>	<b>244.774</b>	<b>173.847</b>
Unsupported Borrowing	80.793	56.186
<b>Borrowing Need</b>	<b>80.793</b>	<b>56.186</b>

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 decrease in borrowing need for 2022/23 (£24.607m) reflects the re-profiling of capital expenditure & financing.

### 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 £945.559m. 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. 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.

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 2022/23 is £904.706m and this figure represents an increase of £47.770m when compared to the 2021/22 year-end position of £856.936m. The increase is predominantly due to reflecting the Council's approved Capital Programme within the revised CFR estimate, 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 £56.186m net of the Minimum Revenue Provision charge for the year (£4.796m)
- The repayments of borrowing contained within PFI and similar schemes (£3.620m).

<b>Prudential Indicator – Capital Financing Requirement</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
CFR – Non Housing	510.575	479.376
CFR – Housing	320.876	308.447
<b>Total CFR excluding PFI, finance leases and similar arrangements</b>	<b>831.451</b>	<b>787.823</b>
<b>Net movement in CFR excluding PFI, finance leases and similar arrangements</b>	<b>95.018</b>	<b>51.390</b>
Cumulative adjustment for PFI, finance leases and similar arrangements	116.883	116.883
<b>Net movement in CFR</b>	<b>-3.620</b>	<b>-3.620</b>
Total CFR including PFI, finance leases and similar arrangements	948.334	904.706
<b>Net movement in overall CFR</b>	<b>91.398</b>	<b>47.770</b>
<b>Prudential Indicator – Operational Boundary</b>	<b>Original Estimate</b>	<b>Current Position</b>
Borrowing	828.676	783.945
Other long term liabilities*	116.883	116.883
<b>Total Debt 31 March</b>	<b>945.559</b>	<b>900.828</b>

\* 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 2022/23 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.

<b>RMBC</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Gross Borrowing	798.676	753.945
Plus Other Long Term liabilities*	116.883	116.883
<b>Total Gross Borrowing</b>	<b>915.559</b>	<b>870.828</b>
CFR*	948.334	904.706
Total Gross Borrowing	915.559	870.828
Less Investments	50.000	50.000
<b>Net Borrowing</b>	<b>865.559</b>	<b>820.828</b>
CFR*	948.334	904.706

\* 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. The Council does not expect to breach this limit.

<b>Authorised limit for external debt (RMBC)</b>	<b>2022/23 Original Indicator £m</b>	<b>2022/23 Revised Indicator £m</b>
Borrowing	851.451	807.823
Other long term liabilities*	119.221	119.221
<b>Total</b>	<b>970.672</b>	<b>927.044</b>

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



#### 4. Treasury Strategy 2022/23

##### 4.1 Debt Activity during 2022/23

4.1.1 The expected borrowing need is set out below:

<b>RMBC</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
CFR	948.334	904.706
Less Other Long Term Liabilities*	116.883	116.883
<b>Net Adjusted CFR (y/e position)</b>	<b>831.451</b>	<b>787.823</b>
Borrowed at 30/09/22	758.280	721.274
Invested at 30/09/22	-50.000	-172.950
<b>Under borrowing at 30/09/22</b>	<b>123.172</b>	<b>239.499</b>
Borrowed at 30/09/22	758.280	721.274
Estimated additional borrowing to be taken October to March 2023	0.000	0.000
<b>Total Borrowing</b>	<b>758.280</b>	<b>721.274</b>
Under borrowing at 31/03/23	73.171	66.549
Level of short term borrowing as 31/3/23		56.000

\* 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 1.17% and if the Council was fully borrowed the additional cost per year would amount to over £1.4m (Under borrowing and ST borrowing X 1.17%). 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 £227m from the PWLB during 2021/22 to take advantage of low interest rates and mitigate some of this risk. Given that the bank base rate has increased over the current year this position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2022 the Council has not taken out any new borrowing. This is due to the long term PWLB borrowing taken out in 2021/22 which is replacing the temporary borrowing as the temporary borrowing matures. The level of short term borrowing is lower than in the previous year due to this policy of taking long term borrowing to replace the short term borrowing.

- 4.1.4 During the six months to 30 September 2022, the Council has repaid principal on long term maturity, 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. The final payment was made on 09/07/22 when the loan matured. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Lender	Principal	Type	Interest Rate %
PWLB (10 year loan)	£2,800,000	Fixed Rate (Maturity)	3.22
PWLB	£65,000	Fixed rate (EIP)	1.89
PWLB	£101,950	Fixed rate (Annuity)	Various
Local Authority	£10,000,000	Temp	0.25
Local Authority	£10,000,000	Temp	0.25
Local Authority	£8,000,000	Temp	0.25
Local Authority	£5,000,000	Temp	0.20
Local Authority	£10,000,000	Temp	0.10

## 5. **Investment Strategy 2022/23**

### 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 To mitigate the risk of interest rates rising and to take advantage of low long term PWLB interest rates £227m of PWLB borrowing was taken in the 2021/22 financial year. This has resulted in the Council having a larger cash balance than usual. This cash balance is reducing 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 2.7%), Bank Deposits (e.g. Goldman Sachs, currently 3.05%) and Other Local Authorities

(currently 2.73%). The Council has continued to use Money Market Funds (MMF's), which currently have interest rates of between 2.76% and 2.95%. 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. Investment rates have risen significantly during 2022/23 due to the increase in the Bank of England base rate. The Council is also looking to place funds with other banks/building societies 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 £172.950m of investments at 30 September 2022, 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	9.500	0	0
Local Authorities	UK	77.000	0	0
MMF's	UK	76.450	0	0
<b>Total</b>		<b>172.950</b>	<b>0</b>	<b>0</b>

## 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 Overnight Sterling Overnight Index Average (SONIA).

The Strategic Director for Finance & Customer Services can report that the return to date averages 0.77%, against an average Overnight SONIA to the end of September 2022 of 1.22%. This is because some of the investments were placed in 2021/22 when interest rates were much lower. This has reduced the average return.

Based on the Council's current average cash investments of £217m, the additional return achieved at the benchmark rate would be £978k.

## **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.

## **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.

	<b>2022/23 Original Indicator %</b>	<b>2022/23 Current Position %</b>
Non-HRA	5.31	6.04
HRA	16.80	14.68

- 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.

<b>RMBC</b>	<b>2022/23 Original Indicator</b>	<b>Current Position</b>
Limits on fixed interest rates based on net debt	100%	73.24%
Limits on variable interest rates based on net debt	50%	26.75%

#### 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 2022/23 and thus are regarded as fixed rate. The actual maturity date for most of these 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	2022/23 Original Indicator		Current Position	
	Lower	Upper	%	£m
Under 12 months	0%	60%	19.90%	143.500
12 months to 2 years	0%	35%	2.77%	20.000
2 years to 5 years	0%	45%	0.69%	5.000
5 years to 10 years	0%	45%	0.69%	5.000
10 years to 20 years	0%	45%	5.19%	37.438
20 years to 30 years	0%	50%	2.15%	15.521
30 years to 40 years	0%	50%	13.28%	95.815
40 years to 50 years	0%	55%	41.45%	299.000
50 years and above	0%	60%	13.86%	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.

<b>RMBC</b>	<b>2022/23 Original Indicator £m</b>	<b>Current Position £m</b>
<b>Maximum principal sums invested &gt; 364 days</b>	10	0
Cash deposits	10	0

## 7.6 **Treasury Management Advisers**

Following a procurement exercise a new three year contract has been entered into with Link Asset Services Treasury Solutions (LAS) for the provision of treasury management and asset finance services. This commenced in January 2022.

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Code of Corporate Governance 2022

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

David Webster, Head of Internal Audit

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**Ward(s) Affected**

Borough-Wide

**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 since then.

It is good practice to review and revise the Council Code on an annual basis. The Corporate Governance Group has completed this review. 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**

**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 2022

### 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 be seen from the list above, the Council's own values align closely to the key principles in the CIPFA/SOLACE code.
- 2.5 The Council has adopted this approach in producing its Code of Corporate Governance to give citizens and customers a clear understanding of how the Council manages its decision making, service planning, service delivery and accountability processes, how it ensures that the Council sets out its vision and priorities and how it provides effective and efficient outcomes to its citizens and customers.

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

- 3.1 "Delivering Good Governance in Local Government", published by CIPFA 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 29<sup>th</sup> November 2022.

### **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:**

Strategic Director of Finance and Customer Services: Judith Badger

### *Report Authors:*

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**Rotherham Metropolitan Borough Council**

# **Code of Corporate Governance**

**202~~1~~2/2~~2~~3**

November 202~~1~~2

## 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 2021~~2~~/202~~2~~3 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.~~

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

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

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

#### Summary:

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

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

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

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

### Summary:

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

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

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

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

### Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Defining Outcomes</b>	<ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> <li>• Identifying and managing risks to the achievement of outcomes.</li> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council Plan</li> <li>• The Year Ahead Delivery Plan</li> <li>• Rotherham Plan</li> <li>• Forward Plan listing key decisions to be taken</li> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Community Safety and Anti-Social Behaviour Unit</li> <li>• Rotherham Housing Strategy <del>2019-2022</del> <u>2025</u></li> <li>• Rotherham Health and Wellbeing Strategy (A healthier Rotherham by 2025)</li> <li>• Safer Rotherham Partnership Plan <del>2018-2021</del> <u>2022-2025</u></li> <li>• Rotherham Economic Growth Plan 2015-2025</li> <li>• Early Help Strategy for children, young people and families</li> <li>• Medium Term Financial Strategy</li> <li>• Risk Management Policy &amp; Guide</li> <li>• Regular revision and consideration of Strategic Risk Register by Strategic Leadership Team and</li> </ul>



		<p>consideration by Audit Committee including Directorate Risk “deep dives”</p> <ul style="list-style-type: none"> <li>• Monthly consideration of Directorate Risk Registers by Directorate Leadership Teams</li> <li>• Corporate report template contains ‘risk implications’ section</li> <li>• Audit Committee reviews risks and the Risk Management process</li> </ul>
<b>Sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>• Ensuring fair access to services.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council Plan</li> <li>• The Year Ahead Delivery Plan</li> <li>• Forward Plan listing key decisions to be taken</li> <li>• Receipt of reports from inspectorates and regulators throughout the year</li> <li>• Formal consultation arrangements</li> <li>• Rotherham Economic Growth Plan 2015-2025</li> <li>• Safer Rotherham Partnership Plan <del>2018-2024</del> <u>2022-2025</u></li> <li>• Rotherham Local Plan Core Strategy 2013-28</li> <li>• Municipal Waste Management Strategy</li> <li>• <u>Rotherham Health and Wellbeing Strategy (A healthier Rotherham by 2025)</u></li> <li>• <del>Rotherham Health and Wellbeing Strategy 2015-2018</del></li> <li>• Social Value included in procurement</li> </ul>

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

### Summary:

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

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

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

	<ul style="list-style-type: none"> <li>Ensuring the achievement of ‘social value’ through service planning and commissioning.</li> </ul>	
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## Principle E - Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

### Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Developing the entity’s capacity</b>	<ul style="list-style-type: none"> <li>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</li> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>The Council Plan</li> <li>The Year Ahead Delivery <a href="#">Plan</a></li> <li>Organisational restructure in key service areas</li> <li>Officer participation in regional groups appropriate to their particular service</li> <li>Involvement in Sheffield City Region</li> <li>Benchmarking increasingly used to develop budgets</li> <li>Peer Health Checks carried out February 2018 and February 2019</li> <li>LGA review of Big Hearts, Big Changes programme</li> <li>Workforce Strategy</li> </ul>

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

### Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Managing risk</b>	<ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</li> <li>Ensuring that responsibilities for managing individual risks are clearly allocated.</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance</li> <li>Directorate and Service level risk registers in place</li> <li>Corporate report template contains 'risk implications' section</li> <li>Audit Committee reviews one <b>directorate</b> risk register at each meeting and considers the Strategic Risk Register every six months.</li> <li>Audit Committee receives an annual Risk Management Report</li> </ul>
<b>Managing performance</b>	<ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly Performance Monitoring Reports aligned to Year Ahead Plan priorities</li> <li>Contract Monitoring Reports</li> </ul>

	<ul style="list-style-type: none"> <li>• Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>• Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>• Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</li> <li>• Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Corporate report template contains 'risk implications' section</li> <li>• Overview and Scrutiny functions</li> <li>• Monthly spend/budget reports sent to all budget holders</li> <li>• Officers' make online monthly budget submissions as part of budget monitoring arrangements</li> <li>• Service Plans for all services <del>(temporarily suspended due to COVID but are being fully reinstated from April 2022)</del></li> </ul>
<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the objectives.</li> <li>• Evaluating and monitoring risk management and internal control on a regular basis.</li> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place.</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>• Ensuring an audit committee or equivalent group or function which is independent of the</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>• Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance</li> <li>• Directorate and Service level risk registers in place</li> <li>• Anti-Fraud and Corruption Policy &amp; Strategy</li> <li>• Internal Audit annual opinion on governance, risk management and internal control.</li> <li>• Audit Committee reviews risks at each meeting, including each Directorate's Risk Register at least</li> </ul>



	<p>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</p>	<p>annually, and the Strategy Risk Register twice a year</p> <ul style="list-style-type: none"> <li>• Corporate Information Governance Group</li> <li>• Consideration of specified Fraud risks by Corporate Risk Champions</li> </ul>
<b>Managing data</b>	<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> <li>• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</li> </ul>	<p><del>• Corporate Communications Policy</del></p> <ul style="list-style-type: none"> <li>• Dedicated Information Governance Unit</li> <li>• Freedom of Information publication scheme</li> <li>• Digital Council Strategy</li> <li>• Ongoing monitoring of Data Protection Act / Freedom of Information compliance</li> <li>• Data Transparency Code</li> <li>• Data Sharing Agreements</li> <li>• GDPR training for staff</li> </ul>
<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council Plan</li> <li>• The Year Ahead Delivery Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Revenue budget process</li> <li>• Procurement Policy</li> <li>• Procurement Standing Orders</li> <li>• Value for Money judgement from the External Auditor</li> <li>• External Auditors' Annual Audit letter</li> <li>• Financial Regulations</li> <li>• Capital Strategy</li> <li>• Treasury Management Strategy</li> </ul>

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

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

		periodically on its progress on the Plan and there is an annual delivery plan and updates on its website.
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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Risk Management Policy and Guide Refresh 2022

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

No

**Strategic Director Approving Submission of the Report**

Jo Brown, Assistant Chief Executive

**Report Author(s)**

Simon Dennis, Corporate Improvement and Risk Manager

[Simon.Dennis@rotherham.gov.uk](mailto:Simon.Dennis@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 30<sup>th</sup> November 2021.

The changes to the Policy and Guide this year are minimal. The Risk Management Policy is being presented this year as a separate document so that it can be formally adopted by Cabinet. In order to ensure that the Policy can be read in isolation, some additional information has been included which previously only appeared in the Guide. The detail of these additions is set in paragraph 2.3 of this report.

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 comment on the attached Risk Management Policy and
2. Approve the Risk Management Guide

**List of Appendices Included**

Appendix 1 Revised Risk Management Policy 2022

**Background Papers**

Report to Audit Committee: 22 June 2021 (Risk Management Annual Summary for 2020-21)

Report to Audit Committee 30 November 2021 (Risk Management Policy and Guide Refresh 2021)

Report to Audit Committee 11 January 2022 (Corporate Strategic Risk Register)

Report to Audit Committee 28 June 2022 (Risk Management Annual Summary 2021-2022)

Report to Audit Committee 28 July 2022 (Corporate Strategic Risk Register)

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

None – although the Risk Management Policy will be submitted to Cabinet for approval following consideration by the Audit Committee

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Risk Management Policy and Guide Refresh 2022**

### **1. Background**

- 1.1 This report aims to inform the Committee of the results of a 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 24<sup>th</sup> November 2015. The Policy and Guide has been refreshed annually since then and was last considered by the Committee on 30<sup>th</sup> November 2021.
- 1.3 Whilst previous reviews have included significant changes (in 2021 due to the impact of the pandemic for example), there are no significant changes required this year. However, the Risk Management Policy has been produced as a separate document for the first time. This is to enable separate approval of the Policy by Cabinet once the Audit Committee has considered it.
- 1.4 The Risk Management Annual Summary for 2021-22 was presented to Audit Committee in June 2022, 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.
- 1.5 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 2022 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 There have been no significant changes to the Council's overall management and governance arrangements since the Risk Management Policy and Guide was last updated in November 2021 and the specific risk management processes in which the Council operates have remained broadly unchanged.
- 2.3 Consequently, there have been no significant changes in either the Risk Management Policy, or in the Guide this year although, as set out above, the policy has been separated from the Guide for the first time. This separation has necessitated the expansion of the section on "Roles and Responsibilities" at section 4 to repeat the content of the Guide. As a result, paragraphs 4.2 to 4.9 of the Policy are additions that repeat the content of the graphic in section 12 of the Guide.
- 2.4 The Council's Risk Management Objectives remain 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.

- 2.5 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.
- 2.6 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.
- 2.7 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 is in place for new starters and manager M2 grades or above and is currently delivering training to approximately 150 managers a year.
- 2.8 Additionally, the online risk management training module has been refreshed and is set to start up again shortly, having been delayed by technical issues with the design.
- 2.9 In February 2022, an external risk consultant delivered bespoke in-house training and staff participating gained a qualification accredited by the Institute of Risk Management (IRM).
- 2.10 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.
- 2.11 The refreshed Risk Management Policy attached in Appendix 1 and the Risk Management Guide at Appendix 2.



### **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 Internal Audit 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 There are no direct financial implications on the Council's 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 2023.

### **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)

Simon Dennis, Corporate Improvement and Risk Manager  
Approvals obtained on behalf of:-

	Named Officer	Date
Assistant Chief Executive	Jo Brown	17/11/2022

*Report Author:*

*Simon Dennis, Corporate Improvement and Risk Manager Simon Dennis,  
Corporate Improvement and Risk Manager*

*Simon.Dennis@rotherham.gov.uk*

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



# **Risk Management Policy**

# **Contents**

- 1. Introduction.**
- 2. Approach to Managing Risks**
- 3. Risk Appetite**
- 4. Roles and Responsibilities**
- 5. Monitoring, reporting and reviewing risk**
- 6. Review of this Policy**

## **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 together form a key part of the Council's Corporate Governance Assurance Framework. The Council developed a Council Plan for 2022/2025 and the Cabinet continues to work to ensure Council decisions reflect the concerns of local people and the needs of local communities. This policy supports the Council Plan, is 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 residents.

## **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.

- 32 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 and are set out below:

- 4.2 The Cabinet will:

- Have overall responsibility for ensuring the Council has in place effective risk management arrangements and approving the Risk Management policy.
- Lead in promoting a risk management culture within the Council and, where appropriate, with partners and stakeholders.

- 4.3 The Audit Committee will:

- Approve the Council's Risk Management 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.

- 4.4 All Council members will:

- Consider and challenge risk management implications as part of their roles and areas of responsibility.

- 4.5 Strategic Directors and the Strategic Leadership Team should:

- Champion risk management arrangements
- 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.

4.6 Assistant Directors and Directorate Leadership Teams should:

- 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.

4.7 The Corporate Improvement and Risk Manager should:

- 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.

4.8 Risk Champions should:

- 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.

4.9 All Council employees should:

- 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.

**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.



# Risk Management Guide

(Revised November 2022)

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## **Rotherham Council: Risk Management Guide 2021**

### **1. Introduction**

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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.

### **2. Risk and Risk Management**

- 2.1 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.

- 2.2 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.
- 2.3 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.
- 2.4 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.

### 3. Objectives of Risk Management

3.1 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.

3.2 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.

### 4. Approach to Risk Management

4.1 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.

4.2 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.



#### 4.3 Step 1: Identify Risk – the identification of risk and its consequences.

- 4.3.1 Managers, together with their teams, should identify risks and record them on the appropriate risk register.
- 4.3.2 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 at every 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.
- 4.3.3 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.
- 4.3.4 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.
- 4.3.5 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.
  - **E**nvironmental Impact.

4.3.6 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.

#### 4.4 **Step 2: Evaluate Risk – the assessment of the risk, based on probability of occurrence and potential impact.**

4.4.1 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.

4.4.2 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.

4.4.3 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					

4.4.4 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.

4.4.5 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".

#### 4.5 **Step 3: Management – the identification of control measures required and the allocation of appropriate action managers.**

4.5.1 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.

4.5.2 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.

4.5.3 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.

#### 4.6 **Step 4: Monitor Risk – ensure the controls measures are working effectively or amend accordingly.**

4.6.1 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?

4.6.2 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.

4.6.3 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.

#### 4.7 **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.**

4.7.1 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).



- 4.7.2 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?
- 4.7.3 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.
- 4.7.4 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.
- 4.7.5 Risk Champions play a key role in supporting directorates to maintain and review both the Strategic Risk Register and directorate risk registers.
- 4.7.6 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.
- 4.7.7 The review process will inform the contents of reports to the Strategic Leadership Team and the Audit Committee.
- 4.7.8 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.

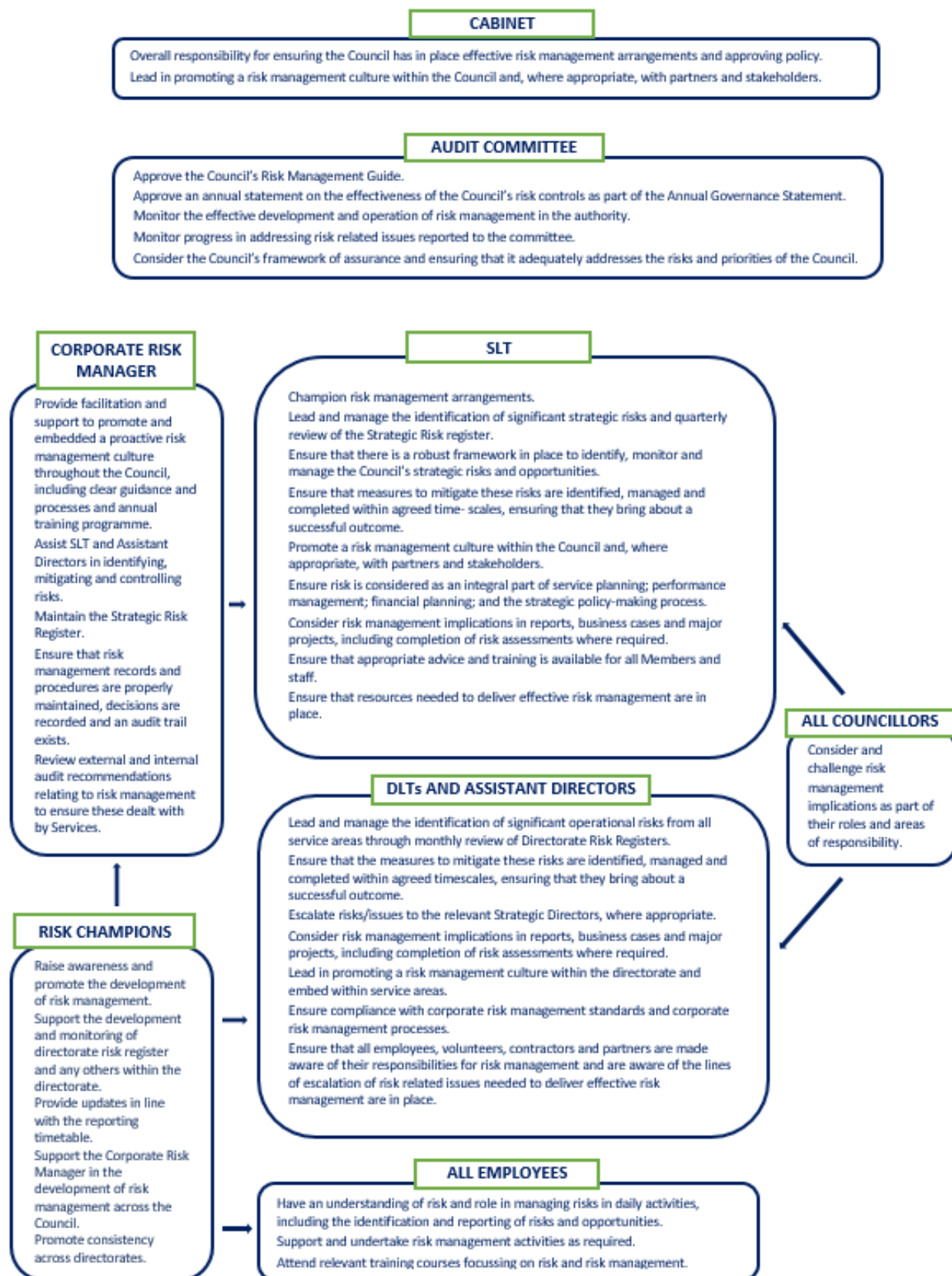
## **5. Documentation**

- 5.1 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.
- 5.2 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.

## **6. Leadership, Roles and Responsibilities**

- 6.1 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.
- 6.2 The expectations of members and officers are as follows:

See diagram (next page)



## **7. Risk Assurance, Monitoring and Reporting**

- 7.1 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.
- 7.2 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)
- 7.3 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.

## **8. Communication**

- 8.1 Effective communication is integral to the identification of new threats and opportunities or changes in existing risks.
- 8.2 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.

## **9. Performance Management**

- 9.1 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.
- 9.2 Risks associated with the delivery of the Council Plan are included in the Strategic Risk Register where relevant.

## **10. Corporate Governance**

- 10.1 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.
- 10.2 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.
- 10.3 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.
- 10.4 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.

## **11. Guidance and Training**

- 11.1 The Council's Corporate Risk Manager is responsible for providing advice and training in respect of the Council's risk management arrangements.
- 11.2 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.
- 11.3 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.
- 11.4 A risk management E-Learning package is accessible to all staff and Members on the Intranet.

**12. Further Information**

- 12.1 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](#).
- 12.2 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 <i>What is it you would like to achieve/need to deliver</i>	Risk  <i>What is the problem/hazard? What is it that will prevent you from meeting your objectives?</i>	Consequence /effect: <i>what would actually happen as a result? How much of a problem would it be? To whom and why?</i>	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	<b>CRITICAL/ CATASTROPHIC</b>	<b>5</b>	<ul style="list-style-type: none"> <li>• Multiple deaths of employees or those in the Council's care</li> <li>• Inability to function effectively, Council-wide</li> <li>• Will lead to resignation of Chief Operating Officer and/or City Mayor</li> <li>• Corporate Manslaughter charges</li> <li>• Service delivery has to be taken over by Central Government</li> <li>• Front page news story in National Press</li> <li>• Financial loss over £10m</li> </ul>
	<b>MAJOR</b>	<b>4</b>	<ul style="list-style-type: none"> <li>• Suspicious death in Council's care</li> <li>• Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure)</li> <li>• Noticeable impact in achieving strategic objectives</li> <li>• Will lead to resignation of Strategic Director and/ or Executive Member</li> <li>• Adverse coverage in National Press/Front page news locally</li> <li>• Financial loss £5m - £10m</li> </ul>
	<b>MODERATE</b>	<b>3</b>	<ul style="list-style-type: none"> <li>• Serious Injury to employees or those in the Council's care</li> <li>• Disruption to one critical Council Service for more than 48hrs</li> <li>• Will lead to resignation of Assistant Director/ Project Director</li> <li>• Adverse coverage in local press</li> <li>• Financial loss £1m - £5m</li> </ul>
	<b>MINOR</b>	<b>2</b>	<ul style="list-style-type: none"> <li>• Minor Injury to employees or those in the Council's care</li> <li>• Manageable disruption to internal services</li> <li>• Disciplinary action against employee</li> <li>• Financial loss £100k to £1m</li> </ul>
	<b>INSIGNIFICANT/ NEGLIGIBLE</b>	<b>1</b>	<ul style="list-style-type: none"> <li>• Day-to-day operational problems</li> <li>• Financial loss less than £100k</li> </ul>

## Appendix B: Risk Scoring Guidance

LIKELIHOOD	SCORE	<i>EXPECTED FREQUENCY</i>
ALMOST CERTAIN	5	Reasonable to expect that the event <b>WILL</b> undoubtedly happen/recur, possibly frequently and in the current year (next 12 months)
PROBABLE/LIKELY	4	Event is <b>MORE THAN LIKELY</b> to occur. Will probably happen in the current year and be likely to recur in the longer term.
POSSIBLE	3	<b>SOME LIKELIHOOD</b> of event occurring. Not likely in the current year, but reasonably likely in the medium/long term.
UNLIKELY	2	Event <b>NOT EXPECTED</b> . Do not expect it to happen in the current year, but possible in the longer term.
VERY UNLIKELY/RARE	1	<b>EXCEPTIONAL</b> event. This will probably never happen/recur. A barely feasible event.

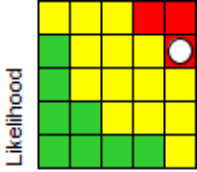
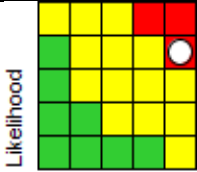
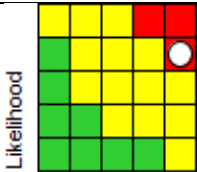
## Appendix C: The Council's Risk Appetite

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 either by including on the directorate risk register the “SL”xx” number or 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

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29<sup>th</sup> November 2022.

**Title**

Internal Audit Progress Report for the period 1<sup>st</sup> September 2022 to 31<sup>st</sup> October 2022.

**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 1<sup>st</sup> September 2022 to 31<sup>st</sup> October 2022 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, 1<sup>st</sup> September 2022 to 31<sup>st</sup> October 2022, 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 – Revised Internal Audit Plan 2022/23

Appendix B – Changes to the original Internal Audit Plan for 2022/23

Appendix C – Summary of work completed since the last meeting

Appendix D – Internal Audit Performance Indicators

**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**  
No.



## Internal Audit Progress Report for the period 1<sup>st</sup> September 2022 to 31<sup>st</sup> October 2022

### 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 2022/23, the reports finalised in September and October, and performance indicators for the team.

### 2. Key Issues

#### 2.1 Department Developments

One of the Principal Auditors has taken flexible retirement from 1<sup>st</sup> October 2022, reducing his hours from full time to 2 days a week. Recruitment has been completed for an additional full time Senior Auditor, with a successful internal candidate. Recruitment for a replacement Auditor will take place. This will enhance capacity in the medium term and aid business continuity and succession planning. In the short-term there will be a shortfall in resource. The plan will be monitored to ensure that sufficient coverage is maintained.

The department has purchased Data Analytics software and the training has been completed. This can be applied to databases to identify unusual or anomalous transactions for examination, which will increase the efficiency and effectiveness of audit work in the future, but again will have a short-term effect as it starts to be used.

#### 2.2 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2022/23 and presented it to the Audit Committee at its meeting on 15<sup>th</sup> March 2022. Meetings have taken place with all DLT's to review the plan at the half-year and ensure it remains relevant and up to date, resulting in some revisions. The current position with regards to the revised plan is given in **Appendix A**. The changes to the plan resulting from these meetings are summarised in **Appendix B**. In the year to date the department has delivered 563 days of productive work, showing it is on target for the year as a whole.

#### 2.3 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 C**. Six audits have been finalised since the last Audit Committee, including one with Partial Assurance – Building Security.

- 2.4 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 no investigation reports issued since the last committee meeting.

## 2.5 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Targets were met apart from the issuing reports in the planned time, which was affected by annual leave.

## 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. At the present time there are only four actions that have been deferred from their original due dates, and one of these is due to be cleared by the end of November. The position will be monitored and any issues reported.

## 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 1<sup>st</sup> September to 31<sup>st</sup> October 2022 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 29<sup>th</sup> November 2022 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 CO2 Emissions and Climate Change**

- 11.1 There are no direct CO2 and Climate Change implications arising from the report.

## **12. Implications for Partners**

- 12.1 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.

**13. Risks and Mitigation**

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

**14. Accountable Officer**

David Webster, Head of Internal Audit.

Tel 01709 823282 E mail [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

## Internal Audit Plan 2022-2023

<b>Assistant Chief Executive</b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Payroll	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	20	4
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	15	4
Council Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	20	3
Agency Staff / Relief Workers		Risk Based	Provide assurance on the effectiveness of governance arrangements to ensure agency/relief staff are being sourced in accordance with approved contract(s).	15	WIP
Use of Volunteers		Risk Based	Provide assurance that the process for managing volunteers is robust and that access to information and the use of personal data is GDPR compliant.	10	DRAFT
Leavers		Follow-up	Carry out a Follow-up of the Jan 2022 Audit (partial assurance)	5	DRAFT
Complaints		Risk Based	Provide assurance on the effectiveness of the complaints procedure	10	DRAFT
<b>Total planned days – Assistant Chief Executive</b>				<b>95</b>	

## ADULT CARE HOUSING AND PUBLIC HEALTH

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Public Health	ACHPH R7 (PH R5)	Risk Based	Management request for a further review of additional Elements of the What Good Looks Like (WGLL) programme.	10	WIP
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACHPH R9 Housing RR No.1	Risk Based.	Management request for a review to be carried out when changes to Social Housing Regulations framework have been finalised. The audit will revisit the Council's compliance with Health and Safety regulations.	10	3
Assistive Technology	ACHPH R11 & 12)	Risk Based	Review of Assistive Technology procedures; including approval pathway for purchasing new equipment; decision making for specialist equipment and compliance with contractual / procurement processes.	15	4
Health Funded Clients	ACI R1	Risk Based	Review the Council's use of the RAFT tool in determining client's assessment of their level of health need, and subsequent level of health funding for their needs.	10	DRAFT
Housing Disrepair Claims	Operational Risk	Risk Based	Provide assurance on the controls in place to reduce the number of Disrepair claims logged with the Council and deal with those received.	10	WIP
Housing Management System		Risk Based	Review and provide assurance on the adequacy of the new housing management system.	15	3 / 4
Care Provision Deferred Payment Agreements & Unpaid Debt.		Risk Based	Review of compliance with procedures for deferring payment for care provision and recovery of unpaid debt.	10	FINAL
Transition from Children's Care to Adult Care		Risk Based	Review progress in implementing the Ofsted action plan and provide an assurance on the processes taken to address the weaknesses highlighted within the action plan.	20	4
Rothercare		Follow Up	Follow up of 2021-2022 audit review reporting a partial assurance level.	5	4
Homes England Follow up		Follow Up	Follow up of 2021-22 audit review	5	FINAL

Actions from LGSCO Report		Follow Up	Review of actions arising from the LGSCO Report	5	DRAFT
<b>Total Planned Days – Adult Care and Housing</b>				<b>115</b>	

<b>CHILDREN AND YOUNG PEOPLES SERVICE</b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Commissioning Services	CPQ43	Risk Based	Review of commissioning policies in place to support safeguarding of children and young people; health and safety and Governance, which need to be in place by all contract holders. Assurance would assist Commissioning develop their quality assurance framework.	10	3
Direct Payments	CPQ44	Risk Based	Review the procedures for making direct payments to personal budget holders and provide an assurance on the quality of annual audits carried out on individual client's accounts.	15	FINAL
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.	10	3
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	4
Joint Funding of Care Packages		Risk Based	Review of the new Joint Funding strategy and provide a level of assurance on compliance with the new strategy.	15	WIP
Commissioning		Follow Up	Follow up audit of commissioning of emergency provision supplier.	5	3
Special Education Needs and Disability (SEND).	CYPS03 ES16	Risk Based	Review progress in implementing the Ofsted action plan and provide an assurance on the processes taken to address the weaknesses highlighted within the action plan.	15	4
Youth Offending		Risk Based	Review of progress after HMIP review and peer review	10	4
<b>Total Planned Days - Children and Young People's Services</b>				<b>100</b>	

<b>FINANCE AND CUSTOMER SERVICES</b>					
<b>Finance</b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
NNDR	FCS2	Systems Based	Fundamental System. Review of new processes in respect of NNDR reliefs to provide a level of assurance of compliance with these.	10	4
Council Tax Support	FCS10	Systems Based	Review of changes in Council Tax Support System and provide a level of assurance of compliance with these.	10	3
Procurement Governance	Operational Risk.	Risk Based	Review procurement procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	3
Social Values	Operational Risk	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 by contract managers.	15	4
Debtors		Systems Based	Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	4
Treasury Management		Risk Based	Review of Treasury Management Strategy to ensure compliance with recent changes.	10	DRAFT
Covid Grants		Risk Based	Further reviews of new Covid Grant Schemes, including the Council's use of the Spotlight tool.	15	FINAL
Energy Crisis Grants		Risk Based	Review of the new Energy Crisis Grant scheme.	10	4
Free School Meals		Risk Based	Review of the controls around the use of vouchers during school holidays	10	4
<b>Customer Information &amp; Digital Services</b>					
3 <sup>rd</sup> Party Supplier Access Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of policies & procedures to allow/remove access for 3 <sup>rd</sup> parties.	10	DRAFT
Back-up Management	Salford risk assessment	Risk Based	Provide assurance that IT 'back-up' arrangements are operating effectively, e.g. servers, 365.	10	3
Blue Badge Scheme		Risk Based	Provide assurance on effectiveness and application of policy and procedures.	10	FINAL
Hardware Asset Management		Follow-up	Follow-up of 21/22 Audit (partial assurance)	5	3



Customer Digital Programme		Advisory	Audit contribution to projects designed to increase efficiency.	20	
Hosted & Cloud-based systems	Operational Risk	Risk Based	Provide assurance on the IG policies & procedures for cloud-based storage platforms, including recovery, protection & security arrangements.	10	3
Phishing Risk Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of the management of the risk of phishing attacks.	10	3
<b><u>Legal Services</u></b>					
Housing Disrepair		Risk Based	Review of procedures for handling claims in respect of Housing Disrepair within Legal Services.	10	WIP
Registrars		Risk Based	Review of processes and controls after external inspection	15	WIP
Right to Buy		Risk Based	Review of processes and timelines to complete a sale	10	3
<b>Total Planned Days – Finance and Customer Services</b>				<b>250</b>	

<b><u>Regeneration and Environment</u></b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Licensing	R&E1 (CSS8)	Risk Based	Review and provide assurance on the implementation of actions arising from the Local Government Association's review of Licensing.	15	4
Waste	CSS13	Risk Based	Scope to be confirmed / agreed.	20	3
Health & Safety Policy	CSS24	Risk Based	Review of policies / procedures in place to ensure compliance with statutory requirements / Health and Safety at Work Act.	10	FINAL
Drainage	CSS35 / 36	Risk Based	Provide assurance on the arrangements in place to maintain the safety of the highway network from surface water & flooding.	10	FINAL

Museum Collections	CST11	Risk Based	Review arrangements for the control, management and security of valuable collections to protect them from loss or damage.	10	WIP
Planning Decisions	PRT4	Risk Based	Provide assurance on consultations for planning applications.	15	WIP
Cash collection and income		Risk Based	Review the arrangements for the collection, monitoring, reconciliation of cash and other forms of income from various establishments.	20	4
Estate Management		Risk Based	Review Health & Safety arrangements in management of the property estate relating to LEA Schools and Neighbourhoods properties.	15	FINAL
S278 Agreements		Risk Based	Provide assurance on the proper execution of Section 278 Agreements.	10	WIP
Tree Management		Risk Based	Provide assurance on the arrangements in place, to ensure the safe and effective management of the Council's urban trees and woodlands.	20	WIP
Property Estate Management Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	DRAFT
Enforcement (Food and Feed) Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	4
Building Security Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	4
<b>Total Planned Days – Regeneration and Environment</b>				<b>160</b>	

<b><u>OTHER</u></b>	<b>Provision</b>	<b>Used</b>
Grants	100	86
Provision for investigations	75	0
Pro-active fraud	25	16
Contingency	30	10
Software development	30	4
<b>Other Work Total</b>	<b>260</b>	
<b>Overall Plan Total</b>	<b>980</b>	

## Half Year Update to the Internal Audit plan 2022/23

### Audits added to the plan

#### ACHPH

Homes England Follow Up – contingency used to review the actions taken after the Homes England external audit report.

LGSCO Actions – contingency used to review the completion of actions after the LGSCO Public Interest Report.

Youth Offending – request from meeting with management, to review actions after an inspection by HMIP and a peer review.

#### FCS

Energy Crisis Grant – new grant, audit of the process and controls

Free School Meals – audit of procedures and controls for payments during holidays

Right to Buy – request from meeting with management, to review

#### R&E

Tree Management – request from management

### Follow Up Audits added to the Plan after Partial Assurance Opinions

#### R&E

Property Estate Management

Enforcement Food and Feed

Building Security

### Audits deleted from the plan

#### ACX

Declarations of Interest – Procedures being updated ready for annual declarations in early 2023

#### ACHPH

Liberty Protection Safeguards – new legislation delayed

**CYPS**

Safeguarding – reviewed by Ofsted.

**FCS**

Electoral Services – no longer required

Adult Care Protection (Legal Services) – departmental restructure currently taking place.

## 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
<b>Adult Care, Housing and Public Health</b>				
Homes England Grant Follow Up	To provide assurance that the actions from the previous audit report had been implemented.	29.9.22	Substantial Assurance	All the actions had been fully implemented.
Care provision Deferred Payment Agreements and Recovery of Deferred Debt	To assess compliance with procedures for deferring payment for care provision and the recovery of deferred debt.	11.10.22	Substantial Assurance	Controls were in place. No recommendations were made.
<b>Children and Young People Services</b>				
Direct Payments	To assess the adequacy of controls for direct payments and to ensure actions from the previous audit had been implemented.	6.9.22	Reasonable Assurance	Controls were in place. Recommendations were made to improve record keeping, monitoring and quality assurance.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Looked After Children – Sufficiency of Children's Homes	To ensure the agreed intentions of the LAC sufficiency strategy have been achieved.	27.9.22	Substantial Assurance	Oversight of the activities and outcomes of the strategy were in place. Two minor recommendations were made on the content of the new Strategy.
<b>Finance and Customer Services</b>				
Blue Badge Scheme	To review the policy and procedures for the administration and processing of blue badge applications.	23.9.22	Substantial Assurance	Controls were in place. One minor recommendation was made to ensure data is up to date.
<b>Regeneration and Environment</b>				
Building Security	To review building security arrangements across the corporate property estate.	16.9.22	Partial Assurance	The system used to manage inspections was not in line with the Inspection Policy and had not been fully updated.

## Definitions

Rating	Definition
Substantial Assurance	<p>Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p>
Reasonable Assurance	<p>Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p>
Partial Assurance	<p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p>
No Assurance	<p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p>



## Appendix D

## Internal Audit Performance Indicators

Performance Indicator	Target	Apr to May 2022	Jun to Aug 2022	Sept to Oct 2022
Draft reports issued within 15 working days of field work being completed.	90%	91%	82%	100%
Chargeable Time / Available Time.	80%	80%	86%	80%
Audits completed within planned time	90%	91%	91%	100%
Client Satisfaction Survey.	100%	100%	100%	100%

## Comments received in the Client Satisfaction Surveys

“Opportunity to discuss the complex service delivery with an Officer that appreciated the challenges.”

“The Auditor clearly explained the process at all stages of the audit. The Auditor was clear when requesting information and realistic in timescales for the provision of information. The Auditor was flexible and minimised the impact of the audit on the day to day operation of the service. The Auditor was approachable and professional.”

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

Audit Committee – 29<sup>th</sup> November 2022

**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:**

That Audit Committee 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 Advice and 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 CO2 Emissions and Climate Change**

- 11.1 There are no direct CO2 and Climate Change implications arising from the report.

**12. Implications for Partners**

- 12.1 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.

**13. Risks and Mitigation**

- 13.1 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.

**14. Accountable Officer:**

David Webster, Head of Internal Audit  
01709 823282 – [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

# Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
January 2023	Financial Reporting	Training – Risk Management	Rob Mahon
	External Audit	Final Accounts closedown and accounting policies	Grant Thornton / Rob Mahon
	Governance Risk and Control	Value for Money Opinion	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance, Risk and Control	Strategic Risk Register	Judith Badger
	Internal Audit / Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	David Webster
	Audit Committee Accountability	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Terms of Reference	David Webster
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
March 2023	Internal Audit	Training – Internal Audit	
		IA Annual Plan	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Procurement Update	Karen Middlebrook
	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
May 2023		Training	
	External Audit	External Audit Progress Update	Grant Thornton /
	Financial Reporting	Draft Statement of Accounts	Rob Mahon
	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	Governance Risk and Control	External Audit Plan	Grant Thornton / Rob Mahon
	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	Ian Spicer
	Audit Committee Accountability	Audit Committee Forward Plan	David Webster



Meeting Date	Key Responsibility	Agenda Item	Author
July 2023	Treasury Management	Training – Statement of Accounts	
		Annual Treasury Management	Rob Mahon
	Governance Risk and Control	Dedicated Schools Grant	Neil Hardwick
	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

Meeting Date	Key Responsibility	Agenda Item	Author
September 2023		Training - Anti-Fraud	
	Financial Reporting	Final Statement of Accounts	Rob Mahon
	Governance Risk and Control	Final AGS	Judith Badger
	External Audit	External Audit Findings (ISA 260)	GT / Rob Mahon
	Internal Audit	IA Charter review and update	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	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 2023	Governance Risk and Control	Training - Code of Governance Chief Executive Presentation	Sharon Kemp
	Treasury Management	Mid-Year Report on Treasury Management	Rob Mahon
	Governance Risk and Control	MTFS	Rob Mahon
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	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

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Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 November 2022

**Report Title**

Regeneration and Environment Directorate Risk Register

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

No

**Strategic Director Approving Submission of the Report**

Paul Woodcock Strategic Director of Regeneration and Environment

**Report Author(s)**

Liz Kemp, R&E Business Co-ordinator  
01709 823803 liz.kemp@rotherham.gov.uk

**Ward(s) Affected**

All

**Report Summary**

The Regeneration and Environment Directorate risk registers for the Directorate and services have been written in line with the refreshed Council requirements. This report provides an update to the Audit Committee in relation to the current position of the Regeneration and Environment Directorate Risk Register and risk management activity.

**Recommendations**

The Audit Committee is asked to note the progress and current position in relation to risk management activity in Regeneration and Environment.

**List of Appendices Included**

Appendix 1 Regeneration & Environment Directorate Risk Register

**Background Papers**

Regeneration and Environment Risk Register

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

No

**Exempt from the Press and Public**

Yes or No? If yes, use text below.

*An exemption is sought for (Appendix 1) under Paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of the Local Government Act 1972 is requested, as this report contains information that refers to the affairs of third parties.*

*It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because failure to do so may result in disclosure of information about the financial or business affairs of Council suppliers and partners.*

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## **1. Background**

- 1.1 The Regeneration and Environment Directorate level risk register currently has 21 risks listed (**Appendix 1**).

Four Directorate risks are also on the Strategic Risk Register. These are as follows:

1.3 **R&E 13 & SLT 27**

To Maintain a Safe and Operational Property Estate

1.4 **R&E 20 & SLT10**

Achieving Economic Growth

1.5 **R&E 50 & SLT36**

Reduction of Carbon Emissions for the Council and the Borough

1.6 **R&E38 & SLT37**

Management and Delivery of Projects, Schemes and Initiatives through Numerous Sources of External Funding

## **2. Key Issues**

- 2.1 There are three Departments within the Regeneration and Environment Directorate:

- Community Safety and Street Scene
- Culture, Sport and Tourism
- Planning, Regeneration & Transport

Each Department has established risk registers capturing their service level risks identified by the respective Assistant Director and their Heads of Service (M3 Managers).

- 2.2 A regular scheduled programme of reviewing and updating Service area and Directorate level risks registers has been implemented across Regeneration and Environment. Risks are regularly discussed and reviewed at Senior Management Team (SMT) and Directorate Leadership Team (DLT) meetings and where necessary, risks are escalated to the next strategic level for inclusion on the risk register.
- 2.3 As part of the programme to embed Risk Management into the culture of the Council, managers from Regeneration and Environment have attended the mandatory “Risk Management Training for Managers” workshops. In addition the Regeneration and Environment Risk Champion has attended individual service area Senior Management Teams to provide an overview to support and advise managers in relation to risk register develop and maintenance.

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

#### **3.1 The key risks on the Regeneration and Environment Risk Register presently are:-**

##### **R&E13 & SLT27 – To Maintain a Safe and Operational Property Estate**

Health, safety and operational risks from Council property and sufficient resources to deal with issues arising.

##### **R&E 20 & SLT 10 – Achieving Economic Growth**

Failure to attract new business and investment to the borough and threat of failing to retain existing clients and investment. Impact on wider economy from the pandemic, increasing costs (such as energy, goods) and uncertainties around the economy result in business failures and businesses delaying or halting investment decisions or general slowdown in the economy.

##### **R&E 50 & SLT 36 - Reduction of Carbon Emissions for the Council and the Borough**

Risk in terms of meeting the Council's targets for Net Zero 30 and Net Zero 40.

##### **R&E 38 & SLT 37 - Management and Delivery of Projects, Schemes and Initiatives through numerous sources of external funding**

Delivery of the full suite of projects and schemes, on time and within budget.

##### **R&E 9 - Provide effective Home to School Transport**

Failure to deliver the Service in line with the budget.

##### **R&E 34 - Ensure the Safe Delivery of Events in the Borough**

A diverse range of events take place every year, engaging between 500 and 80,000 people at each. Risks relate to terrorism, equipment failure, crowd control, fire, traffic, etc. and vary according to the content, location and audience for each event. Events are organised by a wide variety of organisers from grassroots community groups to experienced professional companies.

##### **R&E 41 - Delivery of the New Central Library & Markets to achieve Regeneration Aims in the Town Centre**

Increasing project costs could result in the scheme costs exceeding the budget available for delivery.

##### **R&E 42 –Energy Purchasing - RMBC purchase energy through the flexible procurement framework in advance, and then offer a fixed price for a 12-month period. The load is procured 12-18 months in advance and right**



**up to the renewal start date of the 1st April each year**

2022-23 Contracts increased 120% for Electricity and 300% for Gas.

The current wholesale market is showing an increase for 2023-24 contract rates of an additional 60% above current levels, load is still being procured and more accurate forecast will be provided as the load is secured.

The current Energy Relief Scheme is due to end on the 31st March 2023.

**RE 51 - Good Management of Highway Structures**

Specific risk for Centenary Way Viaduct which incurred a central reserve slab failure on Wednesday 10th August.

**RE52 - Trees Service - Effective Management of Council Owned Trees**

Risk to health and safety caused by tree failure.

3.2 The above Risk Register entries are closely linked to the Regeneration and Environment Service Plans, team plans, reports and service meeting agendas across the Directorate. The Risk Registers have run alongside progress being made in relation to any restructure of services and the development and delivery of Service Plans.

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

**4. Consultation on Proposal**

4.1 Risk Registers are subject to review by the Strategic Leadership Team. A strategic Risk Champions Forum is established and Regeneration and Environment is actively represented at all meetings.

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

5.1 Not applicable.

**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. Financial implications linked to risk mitigation are detailed in associated Service Plans and Directorate Plans and are closely scrutinised and monitored.

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

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

## **8. Human Resources Advice and Implications**

- 8.1 There are no direct Human Resources implications arising from this report. However, the risks contained in the Regeneration and Environment Risk Register (Appendix 1) directly link to the Workforce Strategy and improving the Regeneration and Environment workforce.

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

- 9.1 Not applicable

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

- 10.1 Not applicable

## **11. Implications for CO<sub>2</sub> Emissions and Climate Change**

- 11.1 Not applicable. .

## **12. Implications for Partners**

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

## **13. Risks and Mitigation**

- 13.1 The Regeneration and Environment Risk Register (Appendix 1) details the Directorate level risks and mitigations. This is further supported by individual Service Area Risk Registers.

## **14. Accountable Officer(s)**

Paul Woodcock, Strategic Director, Regeneration and Environment  
Liz Kemp, Business Co-ordinator for Regeneration and Environment

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