



# **ROTHERHAM MBC**

**NARRATIVE REPORT 2022/23**

## **Narrative Report 2022/23**

### **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 2022/23, 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.

### **Strategic Context**

Following approval of the Budget for 2022/23 the Council has faced some significant financial challenges during 2022/23 that were not evident at the time of setting the 2022/23 Budget, such as the significant rise in energy prices, inflation (10.5% as at December 2022) and Local Government Pay Award. In an update to November 2022 Cabinet the Council noted that it was estimated that the impact of inflation and in particular energy price increases would be £4m above available budget. In addition, the financial impact of the Local Government Pay Claim 2022/23 was £6.1m greater than anticipated, increasing the Council's base budget moving forwards, together these pressures alone created around a £10m gap per year within the Council's Medium Term Financial Strategy from 2022/23 onwards.

These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills,

but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.

The Council has worked to identify short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 nationally determined pay award. These short term savings have reduced the Council's forecast outturn position to £7.3m for 2022/23, however, the Council's base costs have risen across the MTFS. These costs could not have been projected within the Council's Medium Term Financial Planning.

Given this challenging start position, in setting the Budget for 2023/24 the Council kept focus on mitigating the impact on residents as far as possible and trying to protect basic services in order to support the community through a cost of living crisis, along with the Council's ambitions for the Borough with specific regard to the environment and social care.

The Final Settlement did have some positives for the Council with inflation provided on core funding such as Business Rates Grants and Revenue Support Grant, along with Governments approach to delaying the Adult Social Care Reforms whilst allowing Council's to retain the funding linked to those reforms.

Whilst the energy price rises, and inflation, will impact the Council's costs in the provision of services there was some mitigation in future years through increased core funding as business rates income is indexed to the rate of inflation. However, those increases in core resources are not sufficient to cover the increase in the Council's base costs. It is currently expected that the period of high inflation will last for a further 12-18 months 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. This has been accounted for within the Council's Budget and Council Tax Report 2023/24 though the report flags that uncertainty around inflation, energy and pay is the biggest budget risk.

In order to address this budget gap the Council had to consider the following areas:

- New savings proposals
- Further increases in fees and charges
- Increases in Council Tax above assumptions within the approved MTFS
- Further use of reserves

As detailed within the Council's budget report this financial pressure has been mitigated through an increase in fees and charges above the previous MTFS assumption of 2% to 6%, new proposed savings across all Directorates of the Council and an increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%.

These proposals have allowed the Council to approve a balanced budget position for 2023/24 without further use of reserves, allowing those reserves to be held to guard against the significant risk and uncertainty that still exists in the UK economy around inflation and energy prices.

The current economic climate remains uncertain, with challenges in projecting where inflation will move and the pace at which it moves, along with uncertainty in the energy

markets. Whilst the uncertainty in the economy still remains the most significant pressure in the Council's Budget and MTFs proposals, by being aware of the current challenges the Council has been able to better plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.

## **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 265,800 in 2021. This is as a result of a natural increase (more births than deaths), net inward migration and increased life expectancy. Rotherham has 166,500 people of working age (62.6%), 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 four airports within 50 miles. 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).

The Council continues to make progress against its ambitions for Borough wide regeneration.

An additional £20m has been awarded to the Council for its 'Principal Areas of Growth' bid at the Spring budget. This will see targeted redevelopment on the Dinnington High St and a new library for Wath town centre.

Forge Island is now underway and Century II is due to complete in 2023, while Council supported projects at Wentworth, Maltby and Magna are all on site and Grimm & Co nears completion. Significant progress has been made against land assembly with the Council taking ownership of a number of major long term vacant and derelict sites in the town centre. The Towns & Villages Fund now has 7 projects complete and a further 2 on site out of the 22 schemes to be completed this financial year.

Major progress has been made against Town Deal, Levelling Up and Future High Street Fund projects over the last 12 months that will see over £100m of new investment into the borough with detailed design development and several first stage contracts let, leading to delivery over the next 2- 3 years.

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.

## **Vision and Priorities**

The Council Plan 2022-2025 came into effect from January 2022 onwards and is supported by annual reporting of the Year Ahead Delivery Plan. **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 2023/24 and the 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.

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 significant savings or significantly re-design or scale back service provision. 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 was approved at Council on 1 March 2023 as part of the Budget and Council Tax Report 2023/24. It provides a three-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 and education), 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, 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 five key themes that partners will together on until 2025:

- **Inclusive economy:** creating opportunities for everyone to participate in and benefit from a growing economy
- **A place to be proud of:** delivering regeneration across Rotherham, inspiring people and creating great places
- **Climate and environment:** building a healthy and attractive local environment in Rotherham, whilst acting on the climate crisis
- **Health and wellbeing:** enabling people to lead healthy lives, focusing on prevention
- **Building stronger communities:** Working with individuals and communities on the things that matter most to them

The Rotherham Plan 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**

In January 2022, the Council adopted a Council Plan for 2022-25, informed by public consultation, as well as a Year Ahead Delivery Plan for the period up to 31 March 2023.

Formal progress reports are currently presented in public at Cabinet meetings every three months. For 2022/23 these were presented on the 19 September 2022; 19 December 2022

and 24 April 2023. The final progress report for 2022-23, covering data for quarter four and year-end performance will be presented to Cabinet on 10 July 2023.

To enable the Council to work towards the Council Plan outcomes and achieve the commitments, the Council Plan performance measure targets are reviewed annually, and the Year Ahead Delivery Plan is also updated. The new draft Year Ahead Delivery Plan for 2023/24 was included in the Council Plan Update on 24 April 2023.

Each year, Directorates produce service plans which 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 quarterly. Public reporting will move to twice yearly in 2023/24 (December 2023 and July 2024) to reflect that due to the nature of the actions/activities in the plan, many do not significantly change each quarter.

The Council remains focused on delivering the central ethos of the Council Plan to drive better outcomes for the people and places of the entire borough. This requires actions and progress across its five priority themes.

Our Council Plan has already made significant progress in the delivery of key activities over the last year that are making real, tangible changes including:
<b>Every neighbourhood thriving:</b>
<ul style="list-style-type: none"> <li>• Women's Euros - programme of cultural events took place alongside the four matches and Women of the World Festival in July 2022.</li> <li>• Towns and villages fund delivery underway with schemes complete in Greasbrough, Hellaby and Maltby West, and Dalton and Thrybergh. Two further projects are currently being delivered in Hooper and Swinton Rockingham, with three more ready to deliver.</li> <li>• Rotherham Show took place, welcoming more than 60,000 residents to Clifton Park.</li> <li>• Keppel's Column opened to the public following restoration programme.</li> </ul>
<b>People are safe, healthy and live well</b>
<ul style="list-style-type: none"> <li>• The Council gained 'Exemplar' status for tenant engagement from Tpas.</li> <li>• Cabinet approved plans for new £2.1m day centre in Canklow to provide opportunities for Adults with Learning Disabilities.</li> <li>• Delivering decent and affordable homes across the borough that will support 400 families, with work complete on 294 already.</li> <li>• The Council supported the setting up of four social supermarkets to help people avoid food crisis</li> </ul>
<b>Every child able to fulfil their potential</b>



- Being officially rated good' for children's services by Ofsted, in the inspection since intervention finished and where it evidenced that progress has been sustained and further improvements made.
- Work started on a new £4.5 million state-of-the art facility to replace the upper school buildings at Newman School.
- Cabinet agreed increase in fees and allowances paid to foster carers and campaign launched to campaign to recruit more local foster carers.

### Expanding economic opportunity

- Commencing construction on the £47m Forge Island scheme in the Town Centre scheme that when completed will be homes to a state-of-the-art cinema, 69 room hotel, and six restaurants providing food from around the world.
- Supporting 1,069 people into employment or training through the Pathways and Inspire programmes since November 2020.
- Ground broken on £5.4m business centre at Century Business Park.
- £10.87 million pounds of social value commitments secured through council contracts in 2022.

### A cleaner, greener local environment

- Flood risk reduced with the new Forge Island Flood Barrier operational and new pumping station and drain completed.
- Consultation on the masterplans for improvements at Rother Valley and Thrybergh Country Parks.
- 10,752 trees were planted this financial year by trees and woodlands.
- Winter working plan to grub and weed 240 areas across the borough by March 2023 actually delivered 315 areas by the end of the year.
- Street bin replacement project 75% complete and on track to complete by August 2023.
- APSE land audit management system (LAMs) launched in the grounds and streets service to benchmark against other local authority users.
- Digitizing the grounds and streets service by introducing a new IT system called Confirm.
- Increased wildflower areas from 5000m<sup>2</sup> to 15000m<sup>2</sup>.
- Waste delivered to landfill down to 0.84% from a 5% target within the BDR partnership.

## 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 2023 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 2022/23 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:

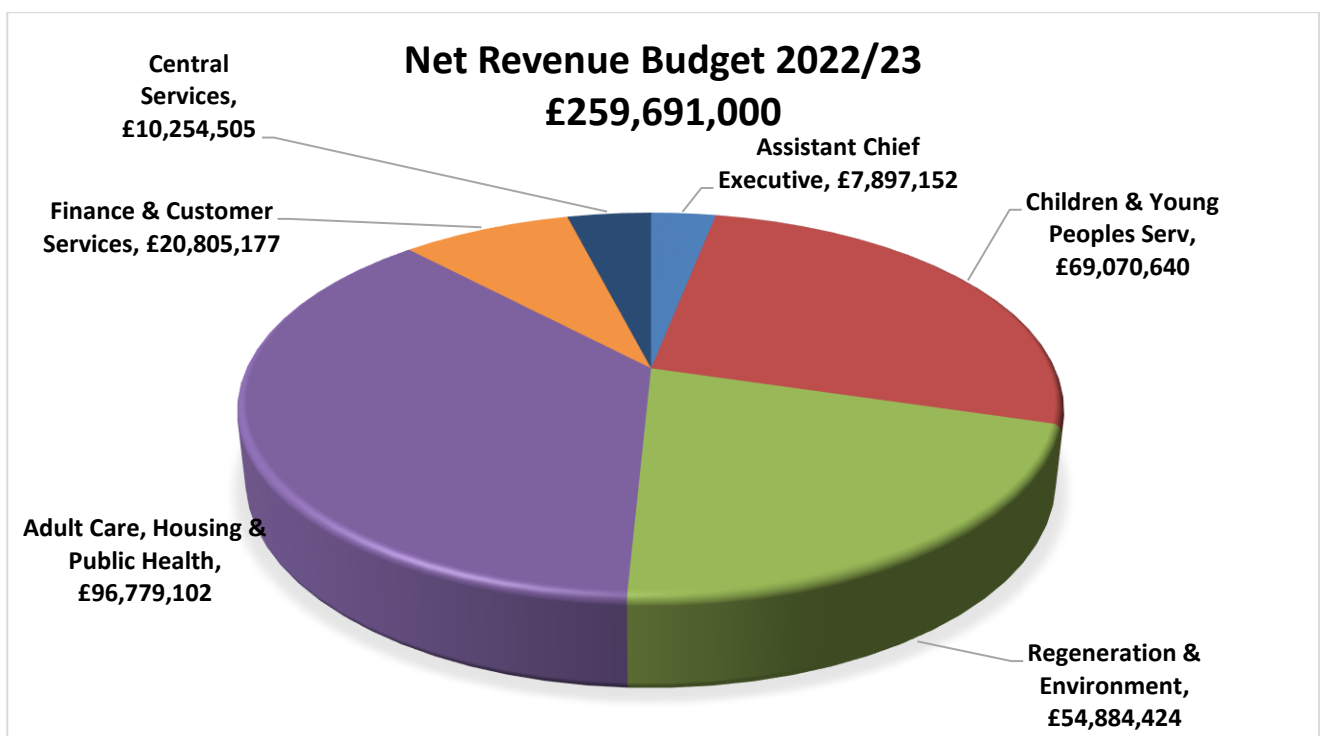
- *Statement of Responsibilities*  
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*  
This account summarises the revenue costs of providing all Council services and the income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

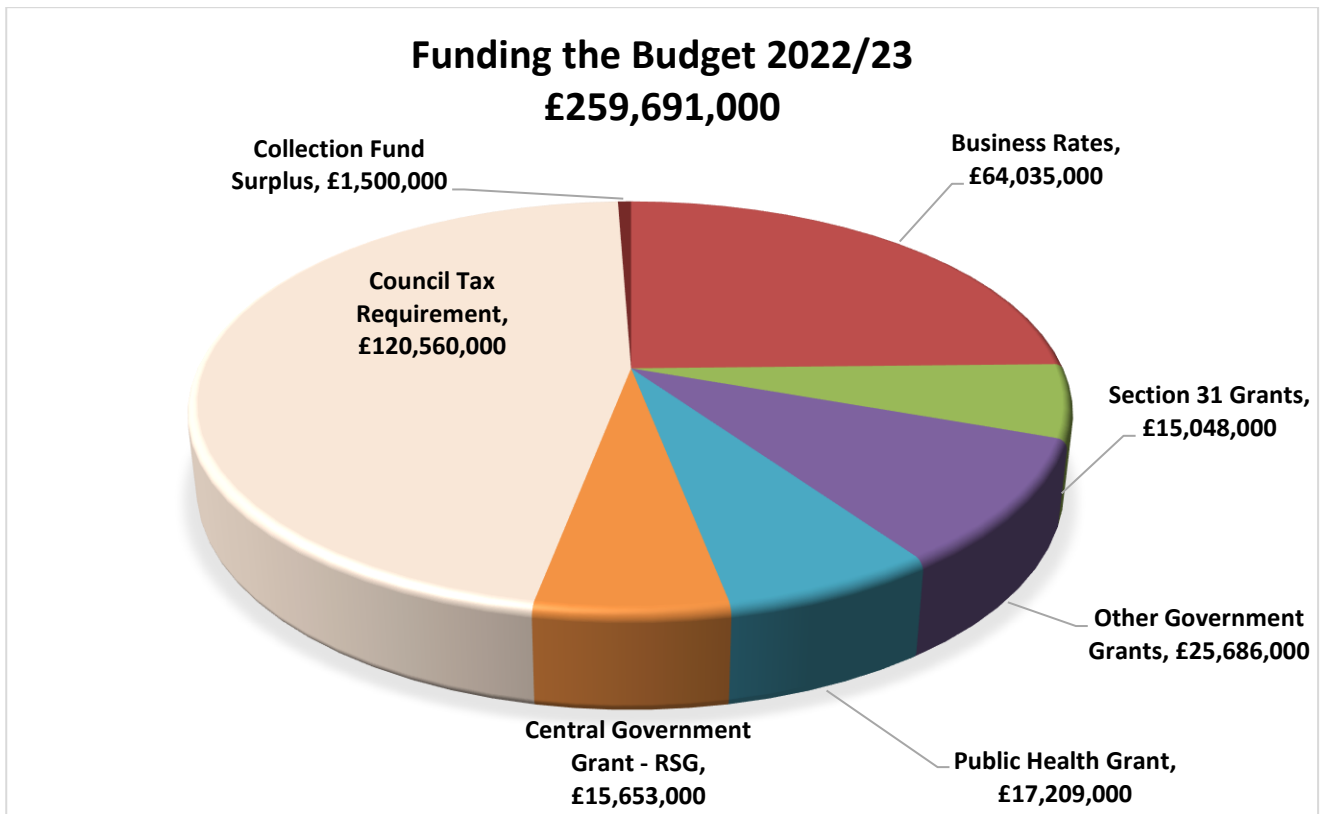
A summary of the Council's revenue and capital outturns for 2022/23 is included in the following paragraphs. The revenue position is due to be reported to Cabinet in the Finance Update report on 19 June 2023. Further details will be included in the Outturn Report to Cabinet on the 10 July 2023. The agenda and papers for the meetings can be accessed through the Council & Democracy page of the Council's website. [Browse meetings - Cabinet - Rotherham Council](#)

### Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2022/23 was £259.691m (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 2022/23 was approved by Council on 2 March 2022. A budget of £259.7m was set for General Fund services; this excludes schools' budgets and the Housing Revenue Account (HRA).

The Financial Monitoring position as at outturn reflects an overspend of £7.3m for the financial year 2022/23. The core Directorates services have a year-end overspend of £1.8m, an improvement of £1.1m from the £2.9m Directorate overspend forecast within the February Cabinet report. The remaining £5.5m cost pressure sits within Central Services and relates to inflationary and energy price pressures that were reported to Cabinet throughout 2022/23. This improved position means that the final call on reserves to balance the Council's outturn position was £7.3m, funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve £3.2m)

The key variances within the outturn position are summarised below;

- Children & Young People Services outturn position at the end of the March was a £2.0m overspend. The main reason for the overspend relates to placements which had a net financial pressure of £2.2m. The £2.2m overspend relates in the main to £1.7m on residential placements, £0.8m in emergency placements and £0.8m IFA placements, offset by £0.3m on in-house fostering and £0.8m savings on Supported Accommodation. The other major variances related to Home to School Transport £1.0m, offset by additional grant funding and use of internal resources to meet grant requirements.

Adult Care, Housing and Public Health outturn was an underspend of £1.8m on general fund services: Adult Care £2.2m underspend, Housing £598k overspend and Public Health £171k underspend. The main variances included within the outturn are care placements £2.2m underspent as a number of anticipated high cost placements were delayed or came in at less than estimated. This was offset by homelessness that was overspent by £720k due to the cost of emergency hotels.

- Regeneration and Environment Services outturn was an overspend of £2.9m. The outturn position reflects the impact of ongoing demographic pressures in Home to School transport (£1.8m), the 'tailing' impact of the lockdown restrictions and the cost of living crisis arising impacting on many of the Directorate's income generating services. The outturn position also reflects the impact a worsening of the pressures in Facilities Services, principally as a result of rising food prices affecting the School Meals service.
- Finance and Customer Services outturn was an underspend of £0.8m. Like all directorates, the service has reviewed planned expenditure and deferred spending or delayed recruitment to support the overall Council position without adversely impacting service delivery. This has generated in year temporary savings of £256k. Income resulting from contractual charges in relation to the Dignity Contract for Bereavement Services (£507k) makes up the majority of the underspend.
- Assistant Chief Executive outturn was an underspend of £0.5m. The Directorate has taken steps to reduce expenditure and delay recruitment where possible to do so, in order to support the overall Council's budget position in year. This has generated £256k of temporary savings and an increased in-year underspend. Additional income has been generated within HR from recruitment advertising and consultancy.
- The overspend in central services (£5.5m) is largely made up of the inflationary pressures as a result of the Local Government Pay Award 2022/23, energy inflation and wider contractual inflation. The impact has been dampened through use of carried forward Covid new burdens funding and improvements in Treasury Management forecasts.

The improvements in the Directorate forecast outturns represent a positive direction of travel for the Council's finances and a significant improvement from the £18.2m forecast overspend reported in the September Financial Monitoring to Cabinet in November. This prudent financial management will be important in managing future budget pressures given the known volatility in external factors that was highlighted as the main budget risk in the Budget and Council Tax report 2023/24.

The Council's initial outturn position allowed the Council to process several transfers to/from reserves reflecting the improved position:

- Budget and Financial Strategy Reserve planned use reduced by £1.1m in line with the reduced outturn position from £8.4m to £7.3m.

- Corporate Grants Reserve planned use significantly reduced as the final inflationary impacts for energy and fuel costs that had been challenging to project given the fluctuating markets were £0.8m less than anticipated and as such required less planned corporate support. In addition, the Council has received new burdens grants during 2023/24 for schemes delivered in year such as the Council Tax Rebate scheme. As these schemes were delivered in house with existing staff this grant benefit has been transferred to the grants reserve.
- Covid Recovery Fund reserves planned use has reduced as over half of the approved spend on the Energy Crisis Support Scheme has been able to be funded through Household Support Fund for October 2022 to March 2023.
- Treasury Management Reserve has increased as the Council has been able to continue to invest its cash balances at interest rates that continued to rise during quarter 4 2022/23 and due to slippage on the capital programme, reducing the need to borrowing during 2022/23 (in turn reducing the cost of borrowing).

### Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £2.992m relating to School Delegated Budgets. As can be seen below, this represents a decrease of £0.802m on the previous year.

2021/22 £m		2022/23 £m
3.794	Unspent Schools' Budgets	2.992

### Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £2.1m, as a result of this the HRA was able to increase the budgeted transfer to reserves by £2.1m. This increase in reserves will help the HRA to mitigate the financial challenges presented by rising inflation and energy costs over the medium term.

The underspend mainly relates to:

- £1.6m Gainshare - The gainshare or profit share on the repairs and maintenance contract is the amount by which actual costs are less than the scheduled costs for carrying out repairs & maintenance activity. The proportion of profit the Contract Partner is entitled to retain is linked to performance with the Council able to benefit by gaining a proportion of that profit.
- £0.9m additional return on investments generated as a result of the increase in interest rates.
- £0.5m reduction to the bad debt provision due to well-maintained rent collection rates.
- £0.3m slippage on some planned works into 2023-24

- £0.2m Ward Housing Hubs underspend
- (£1.4m) pressure on District Heating due to high energy costs.

The proposed revenue contribution to capital outlay outturn was at the budgeted level of £2.9m.

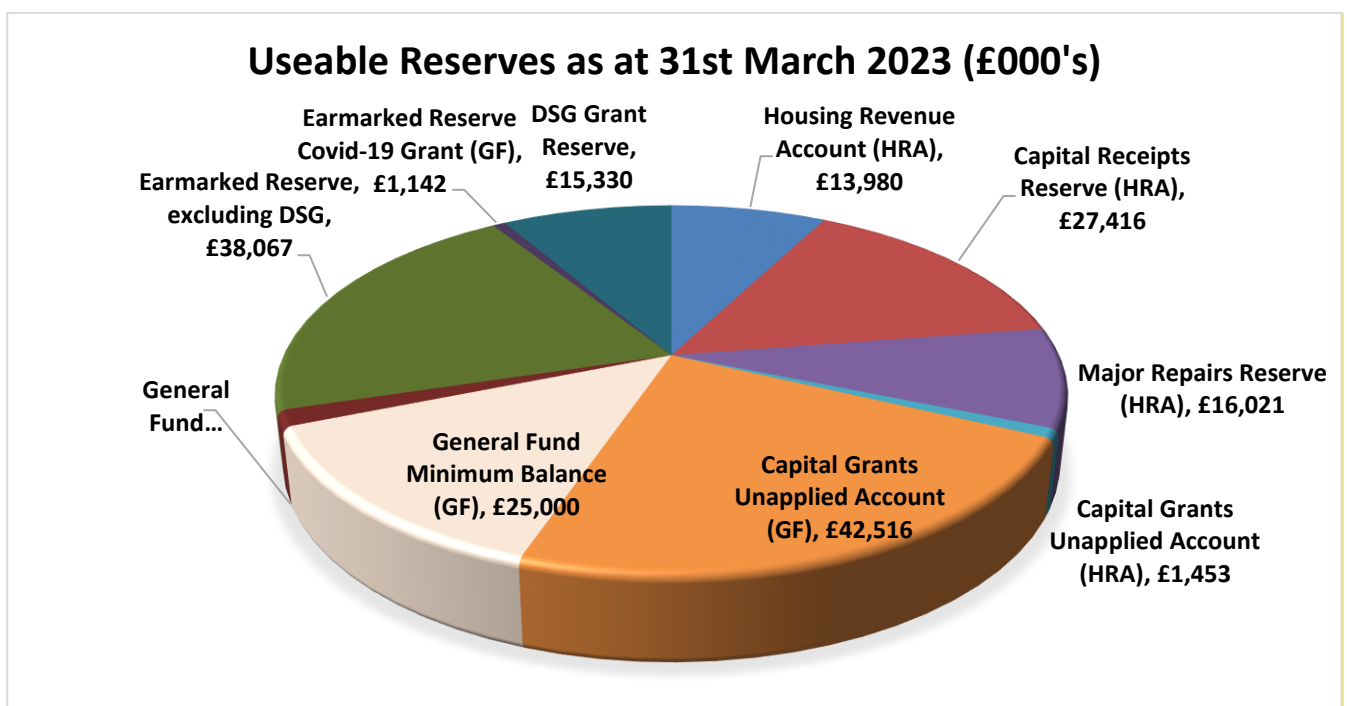
## Reserves

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 2023, the Council held £183.500m of usable reserves, General Fund (£109.245m), HRA (£58.925m) and Dedicated Schools Grant (DSG) (£15.330m). Included within this balance are capital reserves of £87.406m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £96.094m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes.



<b>Reserves</b>	<b>General Fund £000's</b>	<b>HRA £000's</b>	<b>Total Reserves £000's</b>
Housing Revenue Account	0	13,980	<b>13,980</b>
Capital Receipts Reserve	0	27,416	<b>27,416</b>
Major Repairs Reserve	0	16,021	<b>16,021</b>
Capital Grants Unapplied Account	42,516	1,453	<b>43,969</b>
General Fund Minimum Balance	25,000	0	<b>25,000</b>
General Fund Schools	2,575	0	<b>2,575</b>
Earmarked Reserve, excluding DSG	38,012	55	<b>38,067</b>
Earmarked Reserve Covid-19 Grant	1,142	0	<b>1,142</b>
DSG Grant Reserve	15,330	0	<b>15,330</b>
<b>Total Reserves</b>	<b>124,475</b>	<b>58,925</b>	<b>183,500</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 2022/23 amounted to £130.339m and is analysed by Directorate as follows:

<b>Directorate</b>	<b>2022/23 £m</b>
Children and Young Peoples Services	7.069
Assistant Chief Executive	0.280
Adult Care & Housing	4.043
Finance & Customer Services	4.260
Regeneration & Environment	77.593
Housing Revenue Account	37.094
<b>Total</b>	<b>130.339</b>



The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2022/23 £m</b>
Borrowing need	34.153
Major Repairs Allowance (MRA)	29.926
Grants & Other Contributions	57.224
Capital Receipts	6.002
Internal Funds (e.g. Reserves, etc)	3.034
<b>Total</b>	<b>130.339</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2022/23 £m</b>
<b><u>Non Housing</u></b>	
Network Equipment	2.087
Aston Academy replacement classrooms	1.590
SEND Phase III Newman Upper School	2.506
Schools PFI Life Cycle Programme	0.957
Forge Island Flood Defence	1.522
Century Park Phase II	5.131
Public Realm Frederick Street	1.199
Riverside Acquisitions	3.858
Magna	1.054
Forge Island Commercial Development	8.571
Parkway Widening	20.381
Clean Air Zone Bellows Road	1.539
Greasbrough Village Centre Traffic Lights	1.108
Ickles Lock	3.683
Carriageways resurfacing	3.192
Roads Programme	5.887
Pothole Funding	1.012
Furnished Homes	1.309
<b><u>Housing Investment Programme</u></b>	
Ravenfield Externals	1.832
Sunnyside Externals	0.949
Swinton Fitzwilliam Concrete Structworks	1.019
Maltby phase 1 externals	2.237
Brinsworth Externals	2.508
Major Voids	4.130
Ad Hoc Boiler Replacements	1.934
Boilers Scheme	2.082
Fairfield Aston Strategic Acquisitions	1.178
Laughton Gare 42 Units	1.501

Clarence Gate Strategic Acquisitions 5 Units	0.931
Millfold Site	3.006
Sheffield Road Site	2.826
<b>Total</b>	<b>92.719</b>

### Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> March 2023 is shown below. Further details of the Council's Treasury Management activities and prudential indicators are due to be reported to Cabinet Meeting on 10 July 2023. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. [Browse meetings - Cabinet - Rotherham Council](#)

The Council's borrowing levels are summarised below:

As at 31 March 2022 £m	Long Term Borrowing	As at 31 March 2023 £m
375.670	Public Works Loans Board (PWLB)	365.456
248.000	Market (e.g. Banks, Other Local Authorities)	232.000
	<b>Short Term Borrowing</b>	
13.071	Temporary Borrowing	10.214
130.500	Market (e.g. Banks, Other Local Authorities)	46.000
	<b>External Investments</b>	
48.500	Debt Management Office	0
137.000	Other Local Authorities	40.000
39.350	Money Market Funds	47.000
<b>542.391</b>	<b>Net Borrowing</b>	<b>566.670</b>

*Note: External Investments excludes amounts associated with the Council's day to day banking and other balances, e.g. school bank accounts, which are included in Note 25 of the Statement of Accounts*

### 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 2022/23. 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 2022/23, however, there is a national issue with local authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on LA accounts. This override is in force until 31st March 2025. The Council will utilise the override for the 2022/23 accounts but will need to put measures in place for when the override expires.

## **Financial Outlook, Risks and Opportunities**

The Council set a balanced budget position for 2022/23 as part of the Budget and Council Tax Report 2022/23 approved at Council 2 March 2022. The MTFS contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £3.9m for 2025/26, the first year of the next spending review. This Budget and MTFS position was set based on sound financial assumptions at the time, factoring in cover for service demand pressures in particular within Adult Social Care.

However, following approval of the Budget the global economic position has significantly changed with rising inflation and substantial increases in energy prices. These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills, but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.

During 2022/23 the Council has successfully delivered short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 nationally determined pay award. As a result the final outturn was significantly improved at £7.3m.

However, the Council's base costs have risen across the MTFS. These costs could not have been projected within the Council's Medium Term Financial Planning. Whilst this approach has improved the in year monitoring position it did not deal with the longer term financial pressure that inflation and energy prices have had on the Council's base costs.

The Council's position in setting a balanced budget for 2023/24 was therefore going to be a significant challenge. However, the aim of the Council was to meet this challenge whilst protecting the services that the Council provides to residents and businesses within the borough. In addition, providing further support to residents with the cost of living crisis.

The financial pressure faced by the Council across the MTFS period has been mitigated through unexpected Government funding confirmed in the Final Settlement, increasing fees and charges above the approved MTFS 2% assumption to 6%, new savings across all Directorates of the Council and an increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%.

The Council has endeavoured through the Budget setting process to minimise the impact on residents in terms of both service delivery that they receive but also in terms of the financial impact on residents, for example the Council's fees and charges and Council Tax increases are significantly below the prevailing level of inflation seen during 2022/23. Through the Council's planned use of the Household Support Fund and the Local Council Tax Top Up scheme the Council seeks to further support the most vulnerable residents within this Budget.

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 2023/24 and medium term financial strategy.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £302.2m in 2023/24 together with a capital programme in excess of £500m (to 2025/26), the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region.

The challenge is to ensure the sustainability of the Council to deliver services and deliver against the Council's stated priorities. This means making carefully considered investment decisions through to 2026 and ensuring that agreed savings are delivered in line with revised timeframes.

A handwritten signature in black ink, appearing to read 'Judith Badger', with a small dot at the end.

**Judith Badger CPFA**

Strategic Director of Finance and Customer Services

Finance and Customer Services Directorate

Riverside House

Main Street

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S60 1AE

Date 30<sup>th</sup> May 2023