



# **ROTHERHAM MBC**

**NARRATIVE REPORT 2023/24**

## **Narrative Report 2023/24**

### **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 2023/24, 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**

During 2023/24 the Council has faced some significant financial challenges that were evident at the time of setting the 2023/24 Budget and as such, corporate provisions were established as mitigation. The Council has also faced new and growing challenges with demand, stubbornly high inflation impacting market costs, energy prices and food prices, along with a Local Government Pay Award that was higher than projected (£4m). Despite this, a near balanced outturn was achieved with an overall position of a £0.1m overspend. The core directorates had an overspend of £8.8m partially offset by a £5m corporate budget risk contingency within Central Services that was approved within the Council's Budget and Council Tax Report 2023/24. Taken with savings delivered from the Council's Treasury Management Strategy, the final underspend in Central Services was £8.7m, which reduced the Council's overall outturn to a £0.1m overspend.

The Council's overspend position before mitigation was largely due to the following overall issues:

- Placement pressures within Children and Young People's Services and Adult Social Care
- Home to School Transport pressures within Regeneration and Environment and Children and Young People's Services
- Pressures on income generation within Regeneration and Environment, relating to the longer-term recovery from Covid-19 and the cost of living crisis
- Inflationary costs impacting the cost of food in Schools Catering and contractual and provider inflation impacting Children and Young People's Services
- Increased costs of homelessness due to increased demand
- Increased property costs in Regeneration and Environment
- Impact of the Local Government Pay Award

As a result of these financial pressures the Council's financial outturn for 2023/24 was £0.1m. This final overspend position was funded by the Treasury Management Reserve and the Council also used £1.4m of reserves to support the approved Budget. This £1.5m use of reserves to support the Budget was £4.8m less than was included in the Budget and Council Tax Report 2023/24 and £0.8m less than planned in the approved Budget and Council Tax Report 2024/25. Overall, this reflects that whilst the Council has faced some significant challenges, through robust management and controls and careful financial planning, the Council's overall financial position continues to improve.

Despite the challenges the Council continued to make significant progress in the delivery of key activities as part of the Council Plan. Examples of the outcomes delivered during 2023/24 are included in the update on the Council's Performance Management Framework and Service Plans described below.

Given this challenging start position, in setting the Budget for 2024/25 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 inflationary uplift provided on core funding such as Business Rates Grants and Revenue Support Grant, along with the Government's approach to delaying the Adult Social Care Reforms whilst allowing Councils to retain the funding linked to those reforms and provision of the additional Adult Social Care Grant top up.

Whilst the increased cost of energy and inflation will impact the Council's costs in the provision of services, there was some mitigation for 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 and address the significant challenges Local Authorities face nationally. The economic climate during 2023/24 has been turbulent. Inflation has reduced significantly since September 2023, falling from 6.7% in September 2023 to 3.2% in March 2024. The sharp fall in headline inflation was driven in part by a reduction in energy regulator Ofgem's price cap, reflecting lower wholesale gas prices. Slowing food price inflation also helped bring the headline number lower. However, this doesn't mean that prices are falling, just that the rate of increase is slowing as higher prices become embedded in the base costs. The overall

reduction helped support the Council's Budget for 2024/25 but the position will continue to be closely monitored. These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning.

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

- 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 and Council Tax Report 2024/25 the financial pressures facing the Council have been mitigated through an increase in fees and charges above the previous MTFS assumption of 2% to 6%, an increase in Council Tax for 2024/25 above the 3% assumed in the approved MTFS to 3.5% and through continued planned use of reserves to support the Budget and MTFS.

These proposals have allowed the Council to approve a balanced budget position for 2024/25 without increasing the 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, energy prices and more significantly rising demand and market pressures in the provision of social care services.

Whilst the Council's updated Budget and MTFS position proposed the use of £9.9m of reserves across the period 2023/24 to 2025/26, it should be noted that £3m of this is for specific projects to support residents with the impact from the cost of living crisis (Energy Crisis Support Scheme and Local Council Tax Support Top Up). In addition, it is also worth noting that the Council's projected balance of reserves as at the end of 2025/26 is £9m higher than it was expected to be when the Council agreed its Budget for 2023/24. This improvement, given the significant challenges facing Local Authority finances, is testament to the Council's robust financial management and decision making across this period.

Overall Local Authorities must consider their Budget and MTFS amidst ongoing funding uncertainty for the local government sector beyond 2024/25, as the Local Government Financial Settlement for 2023/24 was only a one-year allocation, and the final settlement for 2024/25 provided little additional support to address the challenges facing the sector. As such, many Councils will continue to face significant challenges moving forwards funding the costs of social care provision. This is perhaps best illustrated by the volume of Local Authorities across the UK that have recently hit difficult times with a number having to issue S114 notices. Many of these Local Authorities have seen the worrying growth in social care demand and market costs as a key cause of their S114 notice.

## **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 South Yorkshire Mayoral Combined Authority area. There is a steadily growing population which reached a record total of 268,400 in 2022. This is as a result of a natural increase (more births than deaths),

net inward migration and increased life expectancy. Rotherham has 164,500 people of working age (61.3%), which is slightly lower than the English average (62.9%).

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 is a good place to live, however the cost of living and house prices have increased in recent years. 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 was awarded to the Council for its 'Principal Areas of Growth' bid at the Spring 2023 budget. This will see targeted redevelopment on the Dinnington High Street and a new library for Wath town centre.

Forge Island is now approaching completion and Century 2 has been completed, while the Council's supported projects at Wentworth, Maltby and Magna are all on site and Grimm & Co is largely complete. 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 including 3-7 Corporation St which is in the process of being demolished. The Towns & Villages Fund now has 15 projects complete, a further 4 on site, and the remaining 3 of 22 schemes designed and contractors appointed. The twenty-third and final scheme in Maltby East is scheduled for completion in March 2025.

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 years.

It is 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 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 2024/25 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 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 28 February 2024 as part of the Budget and Council Tax Report 2024/25. It provides a two-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. A new Year Ahead Delivery Plan for the period to 31 March 2024 was approved by Cabinet in April 2023

Formal progress reports are presented in public at Cabinet meetings. For 2023/24 a mid-year report was presented on 22 January 2024 and the final progress report for 2023-24, covering data for quarter four and year-end performance will be presented to Cabinet on 29 July 2024.

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 next Year Ahead Delivery Plan for 2024/25 will be included in the Council Plan Update presented to the Cabinet on 29 July 2024.



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 six-monthly 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 internally and publicly twice a year.

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.

<p>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:</p>	
<p><b>Every neighbourhood thriving:</b></p>	
<ul style="list-style-type: none"> <li>• Signals Festival took place across the Borough in February Half Term with an estimated total audience across the 10 days of 21,633.</li> <li>• 15 projects within the Towns and Villages fund have been completed to date with the remaining three schemes in Aston and Todwick, Brinsworth and Rotherham East scheduled to be complete in the early part of the new financial year.</li> <li>• Rotherham Show took place, welcoming more than 60,000 residents to Clifton Park.</li> <li>• The new library at Thurcroft opened in November 2023.</li> <li>• The £24m to 2024 roads programme is now complete. During 2023/24, the Council completed the repair of 148 unclassified roads of the 168 unclassified roads included in the Indicative Highway Repair Programme.</li> </ul>	
<p><b>People are safe, healthy and live well</b></p>	
<ul style="list-style-type: none"> <li>• The Rotherham Combatting Drugs Partnership has overseen the expansion of drug treatment and recovery services, supporting over 1,500 people in 2023/24.</li> <li>• The implementation of new assistive technology to expand the community alarm offer to enable people to live independently at home has delivered over 2,000 new assistive technology items such as digital alarm devices.</li> <li>• From Spring 2023 to Easter 2024, the Council used the Household Support Fund to provide food vouchers to a total of 75,904 pupils eligible for free school meals.</li> </ul>	
<p><b>Every child able to fulfil their potential</b></p>	
<ul style="list-style-type: none"> <li>• The Council is continuing to provide new residential homes, so more looked-after children and young people in Rotherham can stay in the borough and remain safe from harm. A new two-bedroom home, Dragonfly House, has now opened, having been registered by Ofsted in March 2024.</li> <li>• The schemes to improve play equipment at 14 sites, including a complete refurbishment of the existing play equipment at Coronation Park, Maltby and replacement of play equipment Dun Street play area in Swinton, were completed in the year.</li> <li>• Cabinet agreed a new Early Help Strategy 2024-2029 in March 2024, which has now been launched. The strategy sets out Rotherham's vision and plan to ensure</li> </ul>	

that children, young people, and families have their needs identified early so that they can receive swift access to targeted help and support.

### Expanding economic opportunity

- Construction continued on the £47m Forge Island scheme in the Town Centre scheme throughout the year. When completed, the scheme will be home to a state-of-the-art cinema, 69 room hotel, and six restaurants providing food from around the world. Handover of the premises for fitting out is scheduled for the early part of the new financial year.
- The Council's employment support and progression projects exceeded their targets in 2023/24. Pathways to Success and Inspire helped 168 people into employment and 165 into training. the Advance project, which helps those in work to increase their skills and progress, assisted 389 people, of whom 115 gained qualifications.
- Century 2 business centre was opened to tenants in November 2023. The new centre provides an additional 16 offices, 20 workshops and 2 laboratory spaces to expand the workspace offer in the Manvers area.
- Work began in September 2023 on the initial construction to facilitate the wider redevelopment of the markets complex in the Town Centre.
- Following agreement of Rotherham's digital inclusion strategy and action plan in September 2023, support is now available to help people enjoy the benefits of being online, including free sim cards for those on low incomes and with limited internet access.

### A cleaner, greener local environment

- Initial design work has been completed on flood defence schemes including Rotherham Renaissance, Parkgate and Rawmarsh, Whiston Brook, Catcliffe Pumping Station and the Culvert Renewal programme.
- The Broom Road Active Travel Scheme was completed in the year.
- Work has continued with regional partners, including South Yorkshire Mayoral Combined Authority (SYMCA), Transport for the North and Network Rail to deliver the Council's Transforming Cities Fund (TCF) programme funded public transport improvements, including a new Tram-train stop at Magna, Parkgate Link Road and Park & Ride Scheme. The Council is also working with SYMCA and Network Rail to finalise the drafting of the Outline Business Case for the new railway station at Waverley.
- An electric vehicle charging strategy was approved by Cabinet in March 2024.
- Continued to embed the new digital grounds and streets service system, which will enable the provision of better customer information.

## 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 2024 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 2023/24 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:

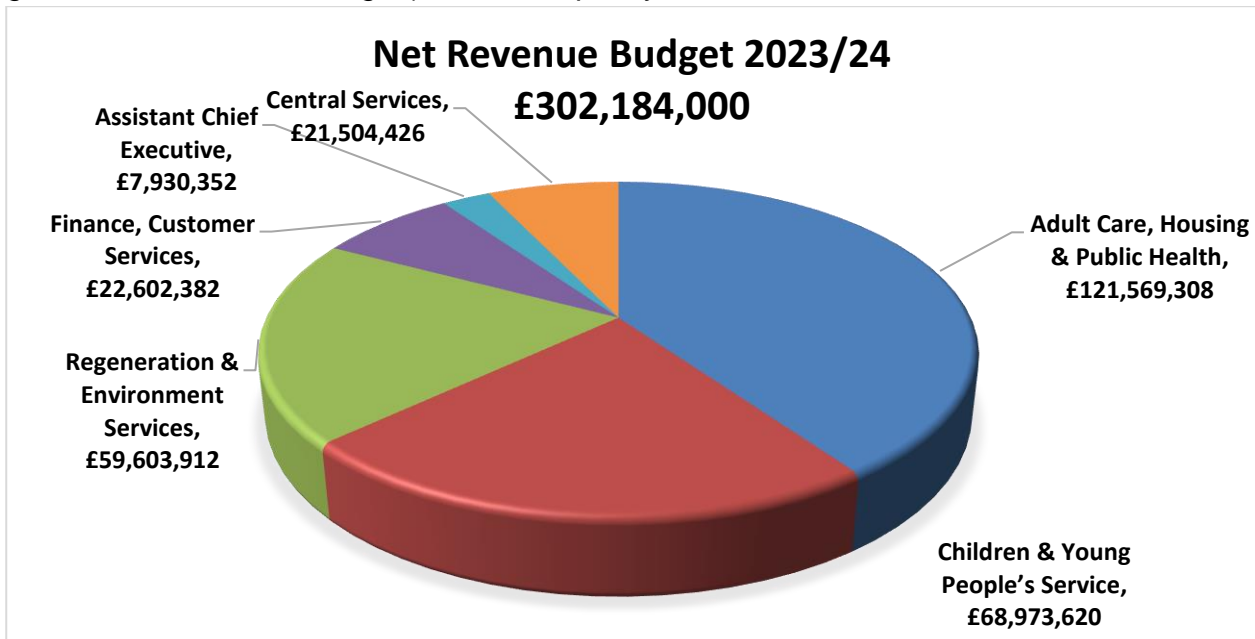
- *Statement of Responsibilities*  
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*  
This account summarises the revenue costs of providing all Council services and the income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

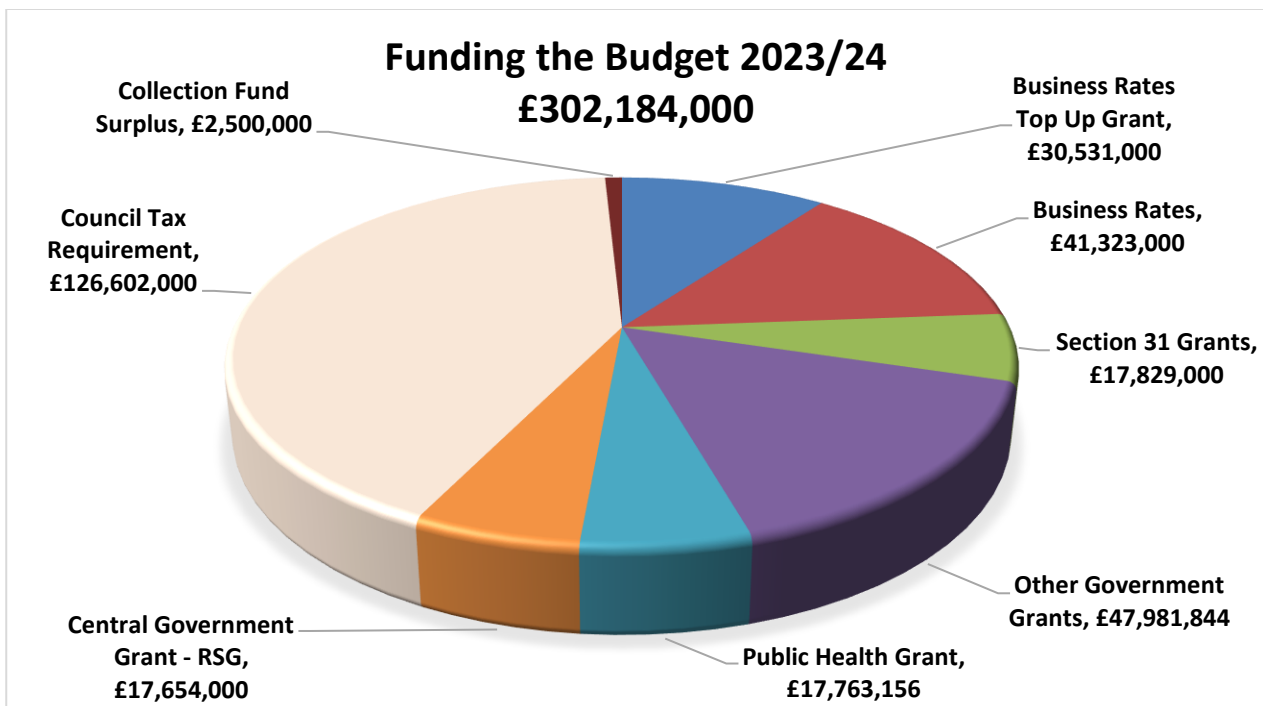
A summary of the Council's revenue and capital outturns for 2023/24 is included in the following paragraphs. Further details are included in the Outturn Report to Cabinet on the 29 July 2024. The agenda and papers for the meetings can be accessed through the Council & Democracy page of the Council's 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 2023/24 was £302.184m (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 2023/24 was approved by Council on 1 March 2023. A budget of £302.184m 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 £0.1m for the financial year 2023/24. The core directorates services had a final overspend of £8.8m. This was an improvement of £1.7m from February forecast as service areas delivered savings ahead of year-end and improvements in income were recognised. As previously reported, the directorate overspend was partially offset by the £5m corporate budget risk contingency within Central Services approved within the Council's Budget and Council Tax Report 2023/24. Taken with savings delivered from the Council's Treasury Management Strategy, the final underspend in Central Services was £8.7m, which reduced the Council's overall outturn to a £0.1m overspend.

The key variances within the outturn position are summarised below;

- Children & Young People Services outturn position at the end of the March was a £4.6m overspend. The main reason for the overspend relates to children in care placements which had a net financial pressure of £5m. The other major variances related to Home to School Transport £1.2m, and section 17 and other minor variances payments of £0.5m. These costs were offset by additional grant funding, use of internal resources to meet grant requirements and vacancies identified through a CYPS Savings Recovery Plan (£2.1m).
- Adult Care, Housing and Public Health outturn was an overspend of £0.7m on general fund services. The £0.7m overspend is in respect of homelessness costs. In particular there has been significant spend for emergency hotel accommodation. Overall Adult Social Care (ASC) has underspent by £72k. However, there was significant demand pressure for placements in ASC but this was off-set by additional grants that have been received, including £2m of both Market Sustainability and Improvement Fund (MSIF) and Hospital Discharge Fund. Overall, the grants that were applied which supported the pressure came to £4.2m reflecting the growing demand pressures within the service area.
- Regeneration and Environment Services outturn was an overspend of £4m. The outturn position reflects the impact of ongoing demographic pressures in Home to School transport (£2.4m), the impact of inflation on food prices causing a £1.2m pressure on Schools Catering and inflation driving up the cost of repairs and maintenance of the Council's operational estate £1m. These pressures have been offset by additional income generation above budget in Street works Enforcement and Planning along with staff savings as part of the Regeneration and Environment savings recovery plan.
- Finance and Customer Services outturn was an underspend of £0.1m. 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. Whilst there are some financial pressures within the directorate, particularly around post and print, savings were achieved on Legal disbursements and Bereavement Services income, which mitigated these financial pressures and delivered a small underspend.

- Assistant Chief Executive outturn was an underspend of £0.4m. 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. The underspend at outturn is a result of higher income generation in HR's commercial offer and salary sacrifice. The staffing position has also been favourable with a small number of vacancies across the directorate delivering an underspend during the year.
- Central Services delivered an underspend of £8.7m resulting from the £5m corporate budget risk contingency approved within the Council's Budget and Council Tax Report 2023/24, along with savings made in year from the Treasury Management function. These savings have arisen as a result of continuing high interest levels and the Council's Treasury Management strategy, which has been to reduce cash balances across 2023/24 to prevent any need to borrow whilst investing remaining available cash in the high interest market.

The improvements in the Council's outturn overall represents a positive direction of travel for the Council's finances and a significant improvement from the £7.3m overspend in 2023/24. This prudent financial management will be important in managing future budget pressures given the known volatility in external factors and rising demand pressures that were highlighted in the Budget and Council Tax report 2024/25.

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

- Treasury Management Reserve planned use at the outset of 2023/24 was £6.3m, this was reduced to £2.3m as part of the reserves strategy in the Budget and Council Tax Report 2024/25. The final outturn position 2023/24 required use of just £0.8m, a reduction of £1.5m.
- Budget and Financial Strategy Reserve had no planned use in 2023/24 however, it was required to support PFI cost pressures of £0.7m. As a result the planned use of corporate reserves (Treasury Management and Financial Strategy Reserve) reduced overall by £0.8m.
- Corporate Grants Reserve use was £1.1m, predominantly to support the Council's programme of activity to support asylum and re-settlement programmes, utilising ringfenced grants.
- As planned the Covid Recovery Fund has been utilised to provide support for the Council's Energy Crisis Support Scheme, along with providing funding support towards RothACS and revenue investments approved as part of the Budget and Council Tax Report 2023/24.

### **Schools' Outturn**

In addition to General Fund balances and reserves the Council also holds £2.264m relating to School Delegated Budgets. This represents the net surplus balances (i.e. unspent budgets), for all maintained schools including special schools and the Pupil Referral Units

(PRUs). These balances are ring-fenced for use by schools to meet education provision. As can be seen below, this represents a decrease of £0.311m on the previous year.

2022/23 £m		2023/24 £m
2.575	Unspent Schools' Budgets	2.264

## Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £4.46m. The overall underspend largely relates to reduced energy costs for the Council's District Heating scheme £3.9m and £4.0m in contract shared savings and rebased fees for maintenance costs. Contract shared savings is a refund from repairs contractors based on the profits they made during the previous year once those have been confirmed and audited. These cost savings have been reduced by increased maintenance costs to reduce works' backlog in particular in relation to mould and damp eradication works.

## Reserves

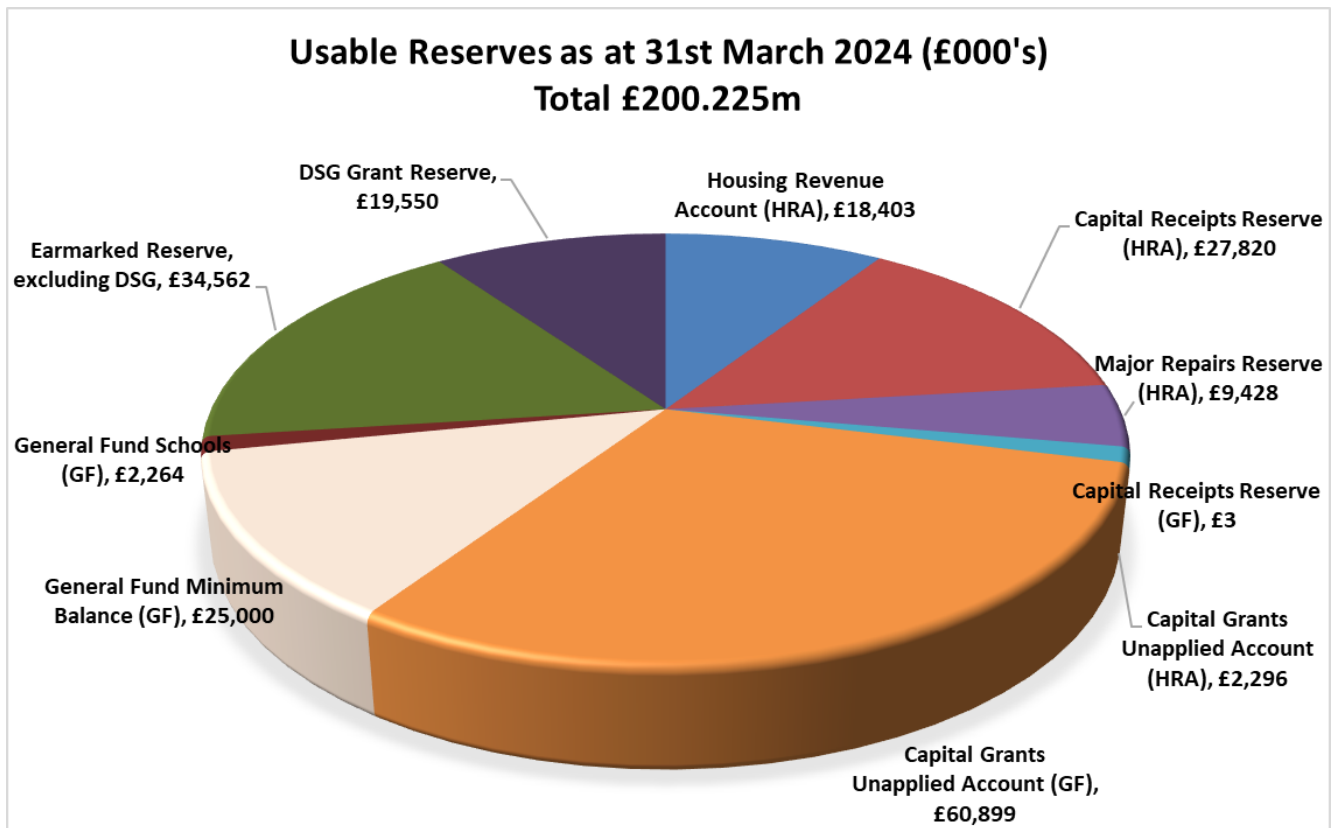
The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

*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 2024, the Council held £200.225m of usable reserves, General Fund (£142.185m), HRA (£58.040m). Included within this balance are capital reserves of £100.446m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £97.779m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes.

The table below also includes DSG grant reserve of £19.550m, however, it should be noted that this is funding the Council has received through the Safety Valve agreement and it has already been fully committed. Due to the accounting treatment of the DSG reserve balances, the Safety Valve grant is account for a useable reserve but the deficit reserve is accounted for as an unusable reserve (£21.258m – Note 37 of the accounts), as such the £19.550m is already fully committed to offset this deficit reserve. It is expected by the completion of the Safety Valve agreement that the Council will have cleared the deficit unusable reserve.



Reserves	General Fund £000's	HRA £000's	Total Reserves £000's
Housing Revenue Account	£0	£18,403	<b>£18,403</b>
Capital Receipts Reserve	£3	£27,820	<b>£27,823</b>
Major Repairs Reserve	£0	£9,428	<b>£9,428</b>
Capital Grants Unapplied Account	£60,899	£2,296	<b>£63,195</b>
General Fund Minimum Balance	£25,000	£0	<b>£25,000</b>
General Fund Schools	£2,264	£0	<b>£2,264</b>
Earmarked Reserve, excluding DSG	£34,469	£93	<b>£34,562</b>
DSG Grant Reserve	£19,550	£0	<b>£19,550</b>
<b>Total Reserves</b>	<b>£142,185</b>	<b>£58,040</b>	<b>£200,225</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.



The outturn on the Capital Programme was £140.726m, an increase of £10.3m or 8% over 2022/23 (£130.3m). The final Capital Programme was £152.386m split between the General Fund £111.650m and HRA £40.736m with underspend and slippage of (£11.660m). The programme was ambitious, however, the impact inflationary pressures and an overloaded construction market has significantly impacted its delivery. This has been seen through restrictions to scheme delivery on contractors and the need to re-think, re-engineer schemes or find new funding solutions when inflationary based cost increases have been forecast.

Total capital expenditure in 2023/24 is analysed by Directorate as follows:

<b>Directorate</b>	<b>2023/24 £m</b>
Children and Young Peoples Services	7.043
Assistant Chief Executive	0.303
Adult Care & Housing	5.802
Finance & Customer Services	3.672
Regeneration & Environment	82.235
Housing Revenue Account	41.671
<b>Total</b>	<b>140.726</b>

The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2023/24 £m</b>
Borrowing need	54.751
Major Repairs Allowance (MRA)	30.613
Grants & Other Contributions	42.256
Capital Receipts	11.060
Revenue Contributions To Capital Outlay	2.045
<b>Total</b>	<b>140.726</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2023/24 £m</b>
<b><u>Non Housing</u></b>	
Forge Island	31.24
2020-2024 Roads Programme £24m	5.21
A6178(PT) - Sheffield Rd	3.79
Matlby Academy	3.57
Broom Road	2.80
DfT LTP Carriageway Resurfacing	2.69
Rotherham Markets and Libraries Development	2.59
Wentworth Woodhouse	2.15
SNED Ph III Newman Upper School	1.87

Schools PFI Life Cycle Programme	1.82
RRFAS 2A Ickles Lock (ERDF)	1.71
Furnished Homes	1.57
Strategic Acquisitions Fund	1.49
A631 Maltby Bus Corridor	1.45
Kilnhurst FAS	1.41
HWRCs	1.27
Computer Refresh	1.16
<b><u>Housing Investment Programme</u></b>	
Wentworth View Strategic Acq	1.806
Laughton Gate 42 units	0.292
Eldertree Lodge SA 2 Units	0.260
Welling View SA 1 unit	0.194
Millstone Park SA 10 Units	0.449
The Paddocks Wickersley	1.928
North Farm Close	0.278
Poppyfields Ravenfield SA	0.696
Brecks Lane SA	0.569
The Paddocks Wickersley	7.229
Maltby Externals	2.903
East Herringthorpe Externals	1.256
Heating Replacements	3.999
<b>Total</b>	<b>89.642</b>

### Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> March 2024 is shown below. Further details of the Council's Treasury Management activities and prudential indicators are included in the Treasury Management Outturn report to Cabinet on 29 July 2024. 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 2023 £m	Long Term Borrowing	As at 31 March 2024 £m
365.456	Public Works Loans Board (PWLB)	390.233
232.000	Market (e.g. Banks, Other Local Authorities)	217.000
	<b>Short Term Borrowing</b>	

10.214	Public Works Loan Board (PWLB)	5.223
46.000	Market (e.g. Banks, Other Local Authorities) < 1 year	25.000
	<b>External Investments</b>	
0	Debt Management Office	0
40.000	Other Local Authorities	0
30.300	Money Market Funds	24.790
<b>583.370</b>	<b>Net Borrowing</b>	<b>612.666</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 2023/24. 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 2023/24, 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 2023/24 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 2023/24 as part of the Budget and Council Tax Report 2023/24 approved at Council 1 March 2023. The MTFs contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £1.7m 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 £12.4m.

However, following approval of the Budget the global economic position kept inflation stubbornly high impacting the cost of Council services and creating market pressures on social care placements and increasing food prices impacting Schools Catering significantly. In addition, rising demand for Council services led to greater pressures on social care placements and Home to School Transport, these being issues impacting Local Authority budgets nationally. Alongside this the Council has seen a significant Local Authority Pay Award, £4m above that assumed in the Budget. These impacts have seen the Council's base costs rise significantly during 2023/24, 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. These pressures impact the Council's MTFS moving forward as they lifted base costs.

The Council's position in setting a balanced budget for 2024/25 was therefore going to be 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 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 2023/24. 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 major 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 used effectively to support the Council's budget pressures, whilst putting the Council in a stronger position to manage its longer term capital financing.

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care and inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2024/25 and medium term financial strategy.

The Local Authority financial environment still however remains challenging and volatile at present. This is best illustrated by the volume of Local Authorities across the UK that have recently hit difficult times with a number having to issue S114 notices and many stating they

are very close to this position without further Government support of legislative changes. Many of these Local Authorities have seen the worrying growth in social care demand and market costs as a key cause of their S114 notice.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £326m in 2024/25 together with a capital programme in excess of £500m (to 2027/28), 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 2028 and ensuring that agreed savings are delivered in line with revised timeframes.



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Date 31<sup>st</sup> May 2024