



# ROTHERHAM MBC

## NARRATIVE REPORT 2025/26



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# Narrative Report 2025/26

## 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 2025/26, 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 continually 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

### 2025/26 Financial Outturn

During 2025/26 the Council has faced some significant financial challenges as a result of rising demand and market pressures in relation to Children's residential placements and placement types, and the cost and complexity of care packages in Adult Social Care. Some of these pressures were anticipated when setting the 2025/26 Budget and as such, budget contingencies were established as mitigation. For example, the Council approved a Social Care Contingency of £5.4m for 2025/26 to support potential pressures in this area, along with inflationary budgets to cover risk of rising base costs. Although inflation has been easing, the impact of the Local Government Association (LGA) Pay Award 2025/26 was £2.3m greater than was assumed within the Budget for 2025/26.

Despite these demand and inflationary pressures, a near balanced outturn was achieved with an overall £0.3m overspend. The core directorates had an overspend of £5.7m partially offset by the £5.4m social care contingency approved within the Council's Budget and Council Tax Report 2025/26. Savings were made in year from the Treasury Management function totalling more than £7.6m, however, these savings have been used to offset wider Council impacts such as inflationary pressures in year and the impact of the Local Government Pay Award.

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

- Placement pressures within Children and Young People's Services (£4.9m)
- Rising demand and complexity of care packages within Adults Social Care (£7m)
- Pressure within Regeneration and Environment due to overspends in Waste Management (£0.9m), Markets (£0.5m) and Home to School Transport (£0.4m).

These pressures were mitigated in part by the following;

- Use of the Social Care Contingency of £5.4m.
- Grant maximisation across Social Care services, £4.2m.
- Reduced spend on homelessness.
- Overachievement of income in Streetworks of £0.7m, and capitalisation of project management costs of £0.3m. In addition, the Council's Country Parks income generation has improved following completion of major investment across the sites.
- Corporate Services generated savings from higher income in Registrars, and maximisation of grants and contributions.

As a result of these financial pressures and mitigations the Council's financial outturn for 2025/26 was a £0.3m overspend. This overspend position was funded from the Budget and Financial Strategy Reserve, the £0.3m use of this reserve was £3.1m less than forecast when Council approved the Budget and Council Tax Report 2026/27. 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 remain robust.

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 2025/26 are included in the update on the Council's Performance Management Framework and Service Plans described below.

### 2026/27 Budget and Medium Term Financial Strategy

Given this challenging start position, in setting the Budget for 2026/27 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.

During 2025 Government has consulted upon and delivered the Fair Funding Review 2.0. This has seen a significant shift in how Local Government is funded and how the resources for Local Government are distributed. The focus of funding distribution has moved more towards areas of greatest deprivation and need. The impact for RMBC of the Fair Funding Review, as confirmed with the Final Financial Settlement, is a positive one, with an additional £22.6m of funding per year provided to the Council by 2028/29 (£13.2m by 2026/27 and £20.2m by 2027/28). Though this is a significant shift in direction that the Council welcomes, the funding is necessary to address the demand and market pressures the Council has seen in recent years.

Despite the additional funding from the Fair Funding Review the Council still faced significant pressures from rising demand and market pressures across social care services. In order to address these 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 2026/27 the financial pressures facing the Council have been mitigated through an increase in fees and charges of 3.8% for a majority of the services and an increase in Council Tax for 2026/27 of 3.95%. The Council has not been required to use additional reserves to balance the budget.

The Council's Budget and Medium Term Financial Strategy (MTFS) reflects the Council's priorities as set out in the Council Plan 2025-2030 and Year Ahead Delivery Plan. The development of the Budget proposals for 2026/27 and a further update of the MTFS take into account prevailing economic factors, supplier market factors, demand and complexity of care pressures, and the positive improvement in funding available to the Council following the impact of the Fair Funding Review 2.0 (FFR 2.0). Following the Council's technical MTFS updates, budget decisions, the impact of the FFR 2.0 and the Final Financial Settlement, the Council was able to propose a balanced budget for 2026/27 through to 2028/29.

It should be noted that 2028/29 was balanced through use of £9.3m of the £10.0m Recovery Grant Uplift provided as part of the Final Financial Settlement. The remaining £0.7m is proposed as an additional revenue investment into the Council's Roads Programme 2026/27. It is expected that the Recovery Grant Uplift announced in the Final Financial Settlement will only be £1.3m per year moving forwards and hence the Council expects the 2029/30 financial year to have a budget gap of at least £8m, to be addressed when the MTFS is extended a further year.

Though the position for Local Authority Funding has shifted positively, the Council remains committed to increasing efficiency and delivering on the priorities of residents. As such, in order to invest in key priorities, this Budget includes Budget savings proposals of £3.2m aimed to increase the efficiency of service delivery and reduce or remove spending on services that are no longer required or can be delivered differently, for example, through maximising grant funding opportunities.

These proposals and the improved funding position have allowed the Council to approve a balanced budget for 2026/27 through to 2028/29 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.

Following approval of the 2025/26 Budget the global economic position has improved with inflation easing, reducing from 11.1% October 2022 at its recent peak back down to 3.8% September 2025 and 2.8% in April 2026. However, market sentiment has been heavily influenced by the Middle East conflict leading to a new steepening of energy costs, and commentators anticipating a growing risk of inflation. These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning.

## **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 276,595 in 2024. This is mostly as a result of net inward migration. Rotherham has 169,564 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, and 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. 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 three 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 43rd most deprived district in England, mainly as a result of poor health and disability, worklessness and low levels of adult qualifications (this is despite positive performance in terms of attainment in Rotherham's schools).

The Council continues to deliver the largest regeneration programme in a generation having secured more than £200m of Government investment to deliver opportunity and jobs across the borough.

The Lakeside Cafe at Thrybergh Country Park, and Waterfront Cafe and events venue at Rother Valley Country Park both opened in early 2026. The redevelopment of Wath and Dinnington town centres has progressed to the demolition of existing town centre buildings. Phase 1 of the Our Places Fund commenced at Swinton, with work at Maltby soon to follow. Phase 2 of the scheme includes upgrades to civic centres, cenotaphs and Memorials and will begin throughout 2026/27.

In Rotherham town centre, works have commenced on Riverside Gardens, and the public realm works on Corporation Street. Construction of the new markets and central library continue. The benefits of the flagship Forge Island scheme are already being felt, with 14.1m visitors to the town centre in 2025/26, an increase of 850,000 from 2023/24.

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 2025-2030 came into effect from May 2025 and is supported by annual reporting of the Year Ahead Delivery Plan. **The Council Plan** expresses 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.”*

Three cross-cutting policy drivers 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.

**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:

- Places are thriving, safe and clean
- An economy that works for everyone
- Children and young people achieve
- Residents live well
- One Council that listens and learns

The fifth theme - ‘One Council’ - sets out how the Council will operate to achieve the vision. It includes corporate commitments to provide high quality, customer-focused services; effective partnership working with our communities; and a workforce that is ambitious and proud as part of demonstrating that RMBC is ‘a modern, efficient council’ in line with the above vision.

### **Delivering the vision and priorities**

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 2026/27 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 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 Real and 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 4<sup>th</sup> March 2026 as part of the Budget and Council Tax Report 2026/27. It provides a three-year outlook of the Council's anticipated resources and budget requirement and positively sets out the Council's approach to delivering a balanced budget for 2026/27 through to 2028/29.

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, 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. The renewed Rotherham Plan 2026-2036 was approved by Cabinet on 11<sup>th</sup> May 2026 and is progressing through partners' approval processes. It sets out the Partnership's vision that *"Rotherham will be an even more innovative, future-facing borough where all residents can thrive, with fair access to the opportunities and services they need to be happy and well."*

To deliver against this vision, the Partnership has identified four gamechangers for the next decade to progress collaboratively:

- **Growing a fair and thriving economy:** creating an economy which provides the foundation for residents to live better lives, embedding strengths in emerging growth industries and prioritising a healthy, mobile workforce.
- **Enabling strong and thriving communities:** fostering pride and cohesion in Rotherham's communities and delivering the right services in the right places.

- **Unlocking the full potential of Rotherham Gateway:** Bringing mainline rail services back to the borough, creating the connectivity to unlock opportunities for residents and address inequalities through increased investment.
- **Creating vibrant town centres:** Improving footfall and perceptions of the borough's principal town centres, including increasing residential populations and using public services and culture to diversify their function.

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 across the Borough in pursuit of these strategic priorities.

### **The Council's Performance Management Framework and Service Plans**

In May 2025, the Council adopted a Council Plan for 2025-30, informed by public consultation, as well as a Year Ahead Delivery Plan for the period up to 31 March 2026. A new Year Ahead Delivery Plan for the period to 31 March 2027 was approved by Cabinet in April 2026.

Formal progress reports are presented in public at Cabinet meetings. For 2025/26 a mid-year report was presented on 19 January 2026 and the final progress report for 2025/26, covering data for quarter four and year-end performance will be presented to Cabinet on 6 July 2026.

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.

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 outcome 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.

Our Council Plan made significant progress in the delivery of key activities during its first year. These activities are making real, tangible changes including:

#### **Places are thriving, safe and clean**

- Launch of a new Street Safe Team, who are now actively patrolling the town centre and outer townships such as Maltby, Wath, Dinnington and Swinton providing a visible, uniformed presence that reassures the public and deters anti-social behaviour.
- Phase 1 of the Our Places Fund commenced at Swinton, with work at Maltby soon to follow. Phase 2 of the scheme includes upgrades to civic centres, cenotaphs and Memorials and will begin throughout 2026/27.

- The redevelopment of Wath town centre reached a major milestone with the start of demolition works of the existing library building.
- Redevelopment works at Rother Valley and Thrybergh Country Park were completed, as part of investments made into country parks across the borough.
- Work has begun on Riverside Gardens and Corporation St public realm works.

### **An economy that works for everyone**

- Supported 46 businesses to improve shop units in the town centre, Dinnington and Maltby high streets through the launch of the shop unit grants programme.
- Received Government backing for the Rotherham Gateway Plan, which will return mainline rail services to Rotherham. A Programme Business Case has now been submitted to South Yorkshire Mayoral Combined Authority (SYMCA).
- Worked with regional partners to support SYMCA in their work to open the new tram-train stop and accompanying park and ride at Magna.
- Implemented an Economic Inactivity Trailblazer, which engaged 388 Participants onto Programme with 87 participants supported into paid work.
- Supported 471 people to access training or paid employment through the Employment Solutions Service.

### **Children and young people achieve**

- Worked with children and young people to deliver more than 1,000 events throughout the 2025 Children's Capital of Culture Festival Year, achieving a combined audience engagement of over 460,000. The festival year also supported 21 young people aged 16-25 to undertake a paid traineeship across 12 host organisations.
- Completed building work on the Special Educational Needs and Disability centre at the Eric Manns. The Parent Carer Forum are now occupying the building and delivering services within the community.
- 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. Two more new two-bedroom homes were submitted for registration and opened within 2025/26.
- 2762 support sessions were delivered by Children's Centres to families with children aged 0-5.

### **Residents live well**

- Completed the building work for Castle View Day Service, which will provide new day opportunities for people with high support needs.
- 114 homes were delivered as part of the Council Home's Delivery Programme. This includes new homes in Canklow, Maltby, Swinton and Wath and West Melton.
- Delivered 85 new homes through acquisition either from private sector housebuilders or direct from the open market across the borough to meet the diverse needs of the Housing Register.
- Continued to provide the Local Council Tax Support scheme top up, providing up to £126 to working households in receipt of Council Tax Support.

### **One Council that listens and learns**

- Increased the number of services available digitally for customers by implementing calendar booking and payment upfront online functions.

- Procured and implemented new consultation software to improve the Council's approach to consultation with residents.
- Co-designed a new tenant engagement framework through a range of consultation and engagement workshops with tenants. This works to strengthen tenant influence in Rotherham and empowers tenants to effectively shape council housing services and enhance their neighbourhoods.

## 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 2026 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 2025/26 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 Executive Director of Corporate 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*

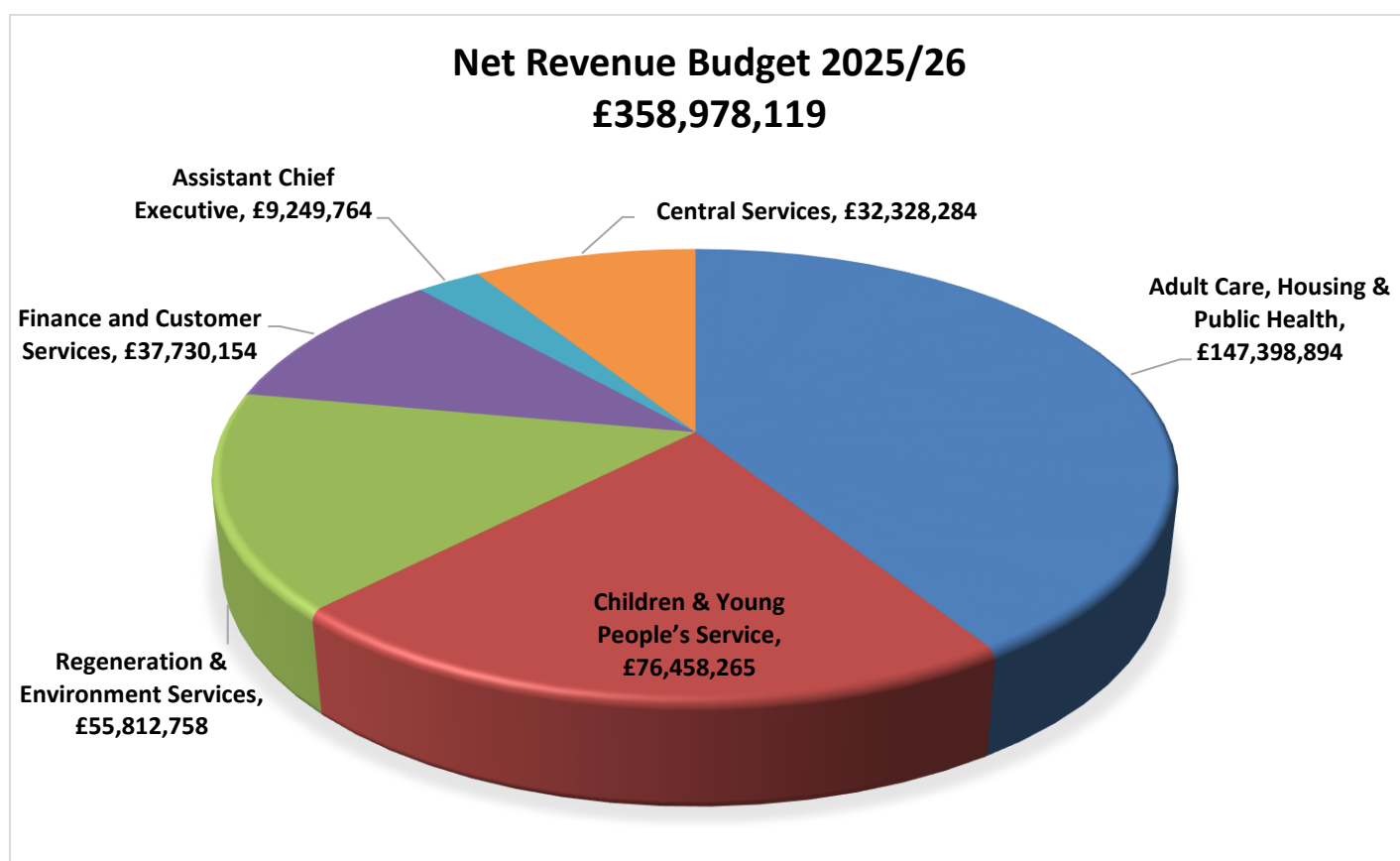
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue Authority and South Yorkshire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

## Revenue & Capital Expenditure Outturns

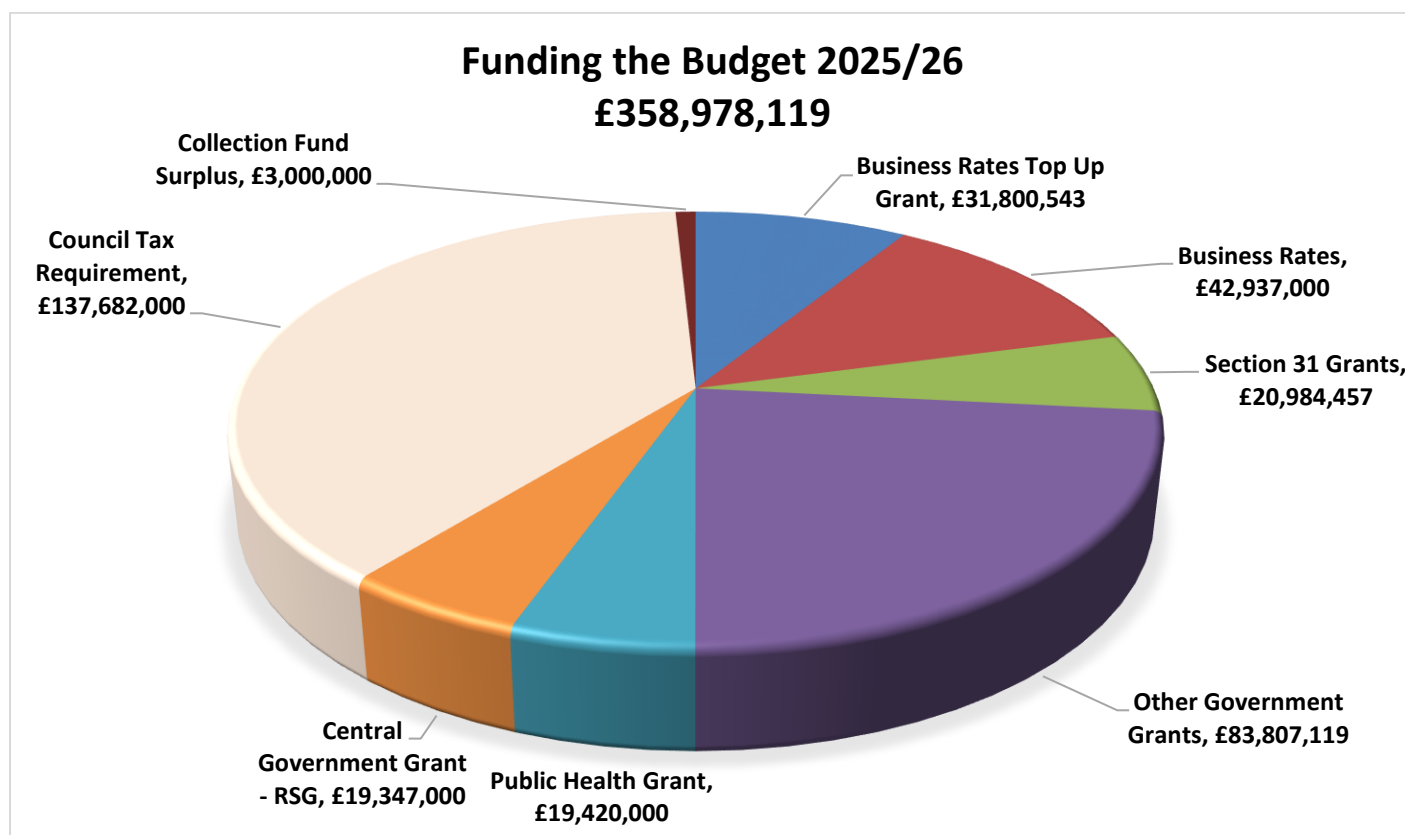
A summary of the Council's revenue and capital outturns for 2025/26 is included in the following paragraphs. Further details are included in the Outturn Report to Cabinet on the 8 June 2026. The agenda and papers for the meetings can be accessed through the Council & Democracy page of the Council's website [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 2025/26 was £358.978m (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 2025/26 was approved by Council on 5<sup>th</sup> March 2025. A budget of £358.978m 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 £0.3m for the financial year 2025/26. This was an improvement of £3.1m from the December Financial Monitoring reported to February Cabinet as service areas delivered savings ahead of year-end and improvements in income were recognised. The core directorates had an overspend of £5.7m partially offset by the £5.4m social care contingency approved within the Council's Budget and Council Tax Report 2025/26. Savings were made in year from the Treasury Management function totalling more than £7.6m, however, these savings have been used to offset wider Council impacts such as inflationary pressures in year and the impact of the Local Government Pay Award. The key variances within the outturn position are summarised below;

- Children & Young People Services outturn position at the end of March was a £2.6m overspend. Children's Social Care was overspend was £4.7m and is mainly attributable to cost pressures within the children in care placements budget. This was partially offset by an underspend of £2.1m across other service areas in CYPS including Education & Inclusion,

Family Help, and Commissioning, Performance & Quality. The underspend is mainly attributable to staffing turnover savings, increased external income, reduced home to school transport costs, reduction in locum and agency staff spend and grant maximisation measures.

- Adult Care, Housing and Public Health outturn was an overspend of £4.8m on general fund services. This is made up of a £1m underspend in Neighbourhoods, a £5.9m overspend in Adult Social Care and a £0.1m underspend in Public Health. The Adult Social Care (ASC) overspend of £4.8m was caused by £7m of overspend on rising demand and complexity of care packages. The overspend on placements was mitigated in part by staffing budgets that were under budget by £1m and maximising grant income. The Housing service (non-HRA) underspend of £1m relates in the main to an underspend on homelessness and temporary. This has arisen largely due to additional grant income that was received in year, and the new homelessness schemes not fully in place for the whole year.
- Regeneration and Environment Services outturn was an overspend of £0.5m. This position reflects £0.5m overspend in the Markets service due to income shortfalls; an overspend of £0.9m in the Waste service; and an overspend of £0.4m in Home to School transport. These overspends are largely offset by a £0.4m underspend in Community Safety and Regulation, £0.2m underspend in Licensing, £0.7m higher income in Streetworks and Enforcement and capitalisation of staffing costs as the Council continues with its expansive regeneration programme.
- Finance and Customer Services outturn was an underspend of £0.7m. Within this position, Corporate Services had an underspend of £0.8m. There are a number of financial pressures across Corporate Services, particularly around Post and Print and recruitment challenges within Legal Services leading to continued use of Locums at a premium. However, there have been savings achieved in relation to vacancy management, higher income in Registrars and maximisation of grants and contributions. These actions have mitigated the financial pressures and delivered an overall underspend to support the wider Council outturn. Within the Finance and Customer Services position, Property and Facilities Services (PFS) had a broadly balanced outturn of £0.1m overspent. This was a £0.3m worsening from the previous report to Cabinet as delays in capital programmes caused the Building Consultancy service's income to decrease by £0.6m, which was largely offset by a £0.3m improvement in Catering Services income.
- Assistant Chief Executive outturn was an underspend of £0.5m. The underspend at outturn is the consolidated result of underspends in year from vacancies and savings on non-staff expenditure, despite a number of underlying budget pressures.
- Central Services delivered an underspend of £5.4m resulting from use of the £5.4m social care contingency approved within the Council's Budget and Council Tax Report 2025/26. Savings were made in year from the Treasury Management function totalling more than £7.6m, however, these savings have been used to offset wider Council impacts such as inflationary pressures in year and the impact of the Local Government Pay Award.

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 £3.4m forecast overspend in December

2025. 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 2025/26.

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 2025/26 was £0.4m to support the approved Budget, this transfer was carried out as anticipated.
- Budget and Financial Strategy Reserve had no initial planned use in 2025/26, however it was projected in the Budget and Council Tax Report 2026/27 report that £3.4m might be required to balance the 2025/26 outturn. Given the final outturn position, the use of the Budget and Financial Strategy Reserve to support the Budget was reduced to £0.3m.
- As approved in the Budget and Council Tax Report 2026/27 £2.2m was transferred from the Budget and Financial Strategy Reserve to create Local Plan Reserve.
- Corporate Grants Reserve balance was unchanged from 2025/26, with a balance of £3.1m.
- The total cost of Local Council Tax Support Top Up scheme was £1.8m funded by £1.1m from Household Support Fund grant and £0.7m from Collection Fund Income Guarantee reserve.
- There were further smaller movements to create a Selective Licensing Reserve and process required adjusted to the PFI Leisure Reserve.

### Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £2.395m relating to School Delegated Budgets. This represents the net surplus balances (i.e. unspent budgets), for all maintained schools. These balances are ring-fenced for use by schools to meet education provision. As can be seen below, this represents a reduction of £0.069m on the previous year.

2024/25 £m		2025/26 £m
2.464	Unspent Schools' Budgets	2.395

### Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £4.3m. The overall underspend largely relates to £0.4m increased income and £3.8m underspend in repairs and maintenance. Most of the latter was because of shared savings on the maintenance contract. 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.

## Reserves

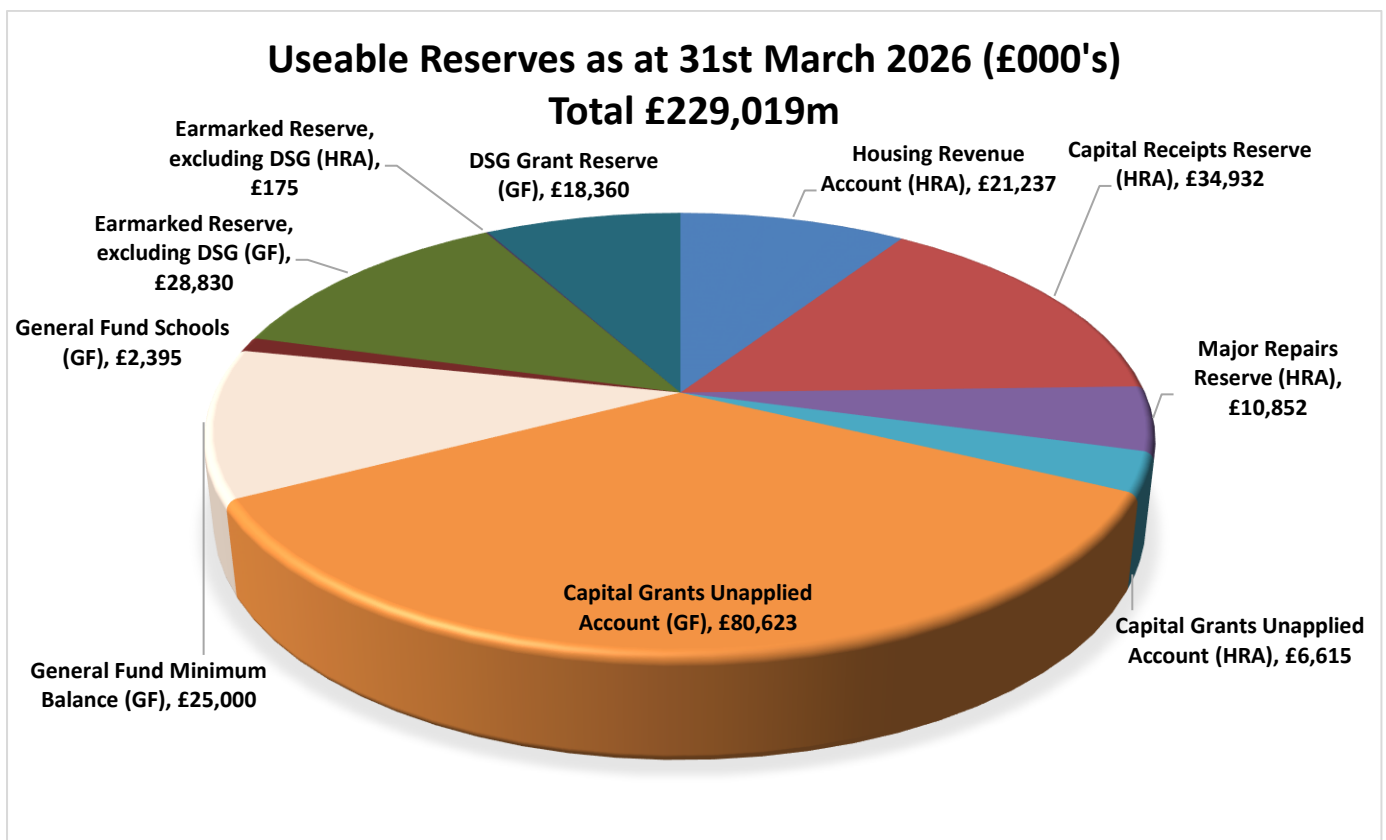
The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

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

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

As at 31st March 2026, the Council held £229.019m of usable reserves, General Fund (£155.208m), HRA (£73.811m). Included within this balance are capital reserves of £133.022m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £95.997m 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 £18.360m, 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 accounted for as a useable reserve, but the deficit reserve is accounted for as an unusable reserve (£21.258m – Note 37 of the accounts), as such the £18.360m is already fully committed to offset this deficit reserve. It is expected that by the completion of the Safety Valve agreement the Council will have cleared the deficit unusable reserve.



<b>Reserves</b>	<b>General Fund £000's</b>	<b>HRA £000's</b>	<b>Total Reserves £000's</b>
Housing Revenue Account	£0	£21,237	<b>£21,237</b>
Capital Receipts Reserve	£0	£34,932	<b>£34,932</b>
Major Repairs Reserve	£0	£10,852	<b>£10,852</b>
Capital Grants Unapplied Account	£80,623	£6,615	<b>£87,238</b>
General Fund Minimum Balance	£25,000	£0	<b>£25,000</b>
General Fund Schools	£2,395	£0	<b>£2,395</b>
Earmarked Reserve, excluding DSG	£28,830	£175	<b>£29,005</b>
DSG Grant Reserve	£18,360	£0	<b>£18,360</b>
<b>Total Reserves</b>	<b>£155,208</b>	<b>£73,811</b>	<b>£229,019</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 £150.614m. The final Capital Programme Budget was £165.620m split between the General Fund £98.555m and HRA £67.065m with underspend and slippage of £15.006m. The programme was ambitious, however, the impact of 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 2025/26 is analysed by Directorate as follows:

<b>Directorate</b>	<b>2025/26 £m</b>
Children and Young Peoples Services	7.949
Assistant Chief Executive	0.267
Adult Care & Housing	10.017
Finance & Customer Services	8.439
Regeneration & Environment	60.657
Housing Revenue Account	63.285
<b>Total</b>	<b>150.614</b>

The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2025/26 £m</b>
Borrowing need	64.452
Major Repairs Allowance (MRA)	23.551
Grants & Other Contributions	48.341
Capital Receipts	4.675
Revenue Contributions To Capital Outlay	9.595
<b>Total</b>	<b>150.614</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2025/26 £m</b>
<b><u>Non Housing</u></b>	
Rotherham Markets Redevelopment (including Community Hub)	12.9
Rother Valley Country Park	6.4
Roads Programme	4.3
Castle View Day Care Centre	3.7
Riverside Gardens	3.3
Schools PFI Life Cycle Programme	2.2
Fleet Management Vehicle Purchase	2.2
Dinnington Regeneration scheme	2.2
Network North Fund	2.1
Forge Island Community Development	1.7
Waverley Junior Primary School Phase 2	1.4
Pavement Improvements	1.3
ICT Hardware Provisioning	1.2
Strategic Acquisitions Fund	1.1
Water Lane Public Realm	1.1
ICT Replacement of server equipment	1.0
Capitalisation Carriageways	1.0
<b><u>Housing Investment Programme</u></b>	
Major Voids	8.3
Boiler replacements	4.4
Market Acquisitions Phase 1	3.7
Adaptations to public properties	2.9
East Herringthorpe Externals Phase 2	2.8
Market Acquisitions Phase 2	2.5
Addison Road Maltby	2.4
Rivelin Way, Waverley 3C	2.3
Richmond & Kimberworth Phase 1	2.1
Internal works to properties	2.0
Ventilation Works	1.9
Warden Street Housing Development	1.7

Capital Structural Work	1.7
Larch Road Maltby	1.6
West Melton Ext Phase 1	1.4
Brampton Vale SA	1.4
Laughton Gate 42 units	1.3
Thurcroft Externals Phase 3	1.3
Other Housing Capital Works	1.3
Albert Club, West Melton SME	1.2
Clement Street, Kimberworth	1.2
<b>Total</b>	<b>98.6</b>

### Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> March 2026 is shown below. Further details of the Council's Treasury Management activities and prudential indicators are included in the Treasury Management Outturn report which will be presented to Cabinet on 6<sup>th</sup> July 2026. 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 2025 £m		As at 31 March 2026 £m
	<b>Long Term Borrowing</b>	
420.000	Public Works Loans Board (PWLB)	399.759
147.000	Market (e.g. Banks, Other Local Authorities)	172.000
	<b>Short Term Borrowing</b>	
30.233	Public Works Loan Board (PWLB)	60.242
80.000	Market (e.g. Banks, Other Local Authorities) < 1 year	77.000
	<b>External Investments</b>	
0	Debt Management Office	0
0	Other Local Authorities	5.000
31.895	Money Market Funds	15.930
<b>645.338</b>	<b>Net Borrowing</b>	<b>688.071</b>

*Note: External Investments exclude 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 2025/26. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

The CIPFA code for 2025/26 introduces changes to the way Local Authorities are required to value non-current assets in their financial statements. The main changes introduced to the 2025/26 Code are as follows:

- A revaluation expedient for property, plant and equipment requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.
- Transitional arrangements when applying these changes so they will be applied retrospectively, with no restatement of prior year figures.
- To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the financial reporting manual (FReM).
- A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

To comply with the above changes the Council's internal valuer has used indexation to provide an assessment of those assets not revalued as part of the five year rolling programme where required in the CIPFA Code of Practice.

There is also 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 has been extended until 1st April 2029. The Council will utilise the override for the 2025/26 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 2025/26 as part of the Budget and Council Tax Report 2025/26 approved at Council on 4<sup>th</sup> March 2025. The MTFS contained within that report included a balanced position for 2026/27 and a funding gap of £3.2m for 2027/28. There was uncertainty projecting forward funding available to the Council post 2025/26 due to only a single year settlement being provided, though Government did indicate their intention to reset the Local

Authority funding picture through the proposed Fair Funding Review. However, the Budget and MTFS position was set based on sound financial assumptions at the time, factoring in funding for service market pressures within Adult Social Care in particular.

During 2025/26 the Council has continued to see rising pressures due to market inflation, demand and the complexity of care packages increasing. As such the Council has been working hard to reduce the overspend in year through a series of management actions and detailed service reviews to further improve the Council's efficiency and effectiveness across the board.

Despite this challenging environment the Council has continued to set a robust Budget and MTFS and monitor the performance of that Budget effectively. The Council has faced financial challenges in year but has taken swift action to rectify them or set in place clear actions to address those pressures over time. The success of this approach is evident through the Budget and MTFS approved by the Council on 4<sup>th</sup> March 2026. Whilst there remain challenges to overcome, the Council has a clear plan and has adequate cover in place for risk through a robust Inflation and Reserves Strategy. In this Budget and MTFS the Council has not been required to identify an increased call on reserves across 2026/27 to 2028/29. There is proposed use of reserves in 2028/29, however, it is use of the new Recovery Grant Uplift announced in the Final Financial Settlement of £10m, the bulk of which will be received before 2028/29 and so will need to be carried forward into 2028/29 to apply to the budget pressures in that year. This will therefore not adversely impact the previously expected reserves position.

Looking ahead to 2026/27, Local Authorities must consider their Budget and MTFS alongside the impact of the Fair Funding Review 2.0 (FFR 2.0). FFR 2.0 represents a significant adjustment to how Local Authorities are to be funded and how that funding will be distributed. The FFR 2.0 also includes a Business Rates Reset to ensure a fairer distribution of Business Rates and simplification of the overall system. The main thrust of the changes is to direct Government funding towards areas of greatest need and areas of greatest deprivation. Alongside this Government aimed to provide a 3 year settlement along with a reduced volume of Government grants to simplify the process whilst adding additional certainty to the process.

The Provisional Settlement provided a positive outcome for the Council, confirming the outcome of the FFR 2.0, and key updates linked to the Business Rates Reset. In order to simplify the outcomes of the Business Rates Reset, Government decided to pay the Business Rates Top Up grant in 2026/27 based on 2028/29 allocations. Taken amongst some other changes announced this means the Council has £7.6m more than expected for 2026/27 and assumed in the MTFS update to Cabinet in November 2025.

Positively, the Final Financial Settlement improved the position further. Further funding for Homelessness, Rough Sleeping Domestic Abuse of £0.5m and a £10m Recovery Grant Uplift have been provided across 2026/27 to 2028/29 MTFS period. In addition, a High Needs Stability Grant has been confirmed that will address 90% of the long term Dedicated Schools Grant (DSG) deficits that many Local Authorities have built up in their Unusable Reserves. This grant is welcome and will help address the Council's deficit before the statutory override of DSG deficits is removed in March 2028, at this point the Council would have to fund the deficits.

The full impact of the FFR 2.0 and wider changes to the Final Financial Settlement will see the Council's funding position increase by a total of £22.6m by the end of 2028/29. Although this funding will build up gradually due to most of the FFR 2.0 implementation being weighted by 33.3% a year

across 2026/27 to 2028/29, the overall impact for the Council remains a positive one. The impact will see the Council gain additional funding of £13.2m in 2026/27, £20.2m in 2027/28 and £22.6m by 2028/29.

Whilst the position is positive and certainly an improved funding position for the Council, it is still faced with significant cost pressures due to demand and market pressures in social care and inflationary pressures. As such, though the improved funding is positive and welcomed, it does not move the Council's funding position to such an extent that the Budget can be balanced without further savings. The Council aims to meet the challenge of the current cost pressures present, whilst protecting services that the Council provides to residents and businesses within the Borough and provide further support to residents facing cost of living pressures. The Council remains committed to protecting the most vulnerable children and adults and to improving the cost effectiveness of these services.

The global economic position has remained uncertain stagnating growth and putting pressure on inflation. September CPI fell to 1.7% in 2024 ahead of the Budget 2025/26 but rose shortly after and has remained above 3% during the bulk of 2025, with September CPI at 3.8%. The Council's base costs have continued to significantly rise across the period of high inflation and have been factored into the Budget and MTFS moving forwards.

The Council still faces cost pressures but given the additional funding, is more appropriately prepared to deal with them. As such the Council has considered a package of savings as well as investments as part of the Budget for 2026/27. The aim of the Council remains to be meeting this challenge whilst protecting the services that the Council provides to residents and businesses within the Borough and whilst providing further support to residents to address the cost of living crisis. The Council remains committed to protecting the most vulnerable children and adults and to delivering the improved cost effectiveness of these services.

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. Through the Council's planned use of the Crisis and Resilience Fund the Council seeks to further support the most vulnerable residents.

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 Council faces significant challenges moving forwards in regard to the funding of social care and inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2026/27 and medium term financial strategy.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a revenue budget of £394m in 2026/27 together with a capital programme of £600m (to 2029/30), 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 2030 and ensuring that agreed savings are delivered in line with revised timeframes.

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Date 10<sup>th</sup> June 2026