

# METROPOLITAN BOROUGH OF ROTHERHAM

## STATEMENT OF ACCOUNTS 2021/22

Contents	Page Number
Statement of Responsibilities for the Statement of Accounts	1
Explanation of the Financial Statements	2
Main Financial Statements and Notes to the Core Financial Statements	4
Comprehensive Income and Expenditure Statement	5
Movement in Reserves Statement	6
Balance Sheet	8
Cash Flow Statement	9
Statement of Accounting Concepts and Policies	11
Accounting Standards not yet adopted	31
Critical Judgements in applying Accounting Policies	32
Assumptions made about future and other major sources of estimations	33
Notes to the Core Financial Statements	34
Housing Revenue Account (HRA) Income and Expenditure Account	110
Movement on the HRA Statement	111
Collection Fund	118
Certification	121
Glossary	123

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Council is required:

The Authority is required to:

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

Certificate

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

Signed on behalf of Rotherham MBC



Audit Committee Chair  
29 November 2022

### The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- Covid-19 – the impact of the Covid-19 pandemic is not considered at this time to effect a change in the Authority's ability to continue as a going concern.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and of its income and expenditure for the year then ended.



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

## Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2022 and shows its overall financial position at the end of that period.

The Statement is prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

The principle basis, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council are set out in the section of this report headed 'Statement of Accounting Policies'. These accounting policies are kept under review and updated where appropriate to take account of changes in accounting practice adopted within the Code.

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Council and its Chief Financial Officer for the accounts;
- **An explanation of the financial Statements** (Page 2 – which details the components of the Financial Statements;
- **A Statement of Accounting Concepts and Policies** (Page 11) – These are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting concepts and policies that have been applied in preparing the Council's 2021/22 financial statements are detailed on Page 11;
- **Financial Statements and related disclosure notes** – which are explained further below.

For the sake of clarity, the Accounts and Audit Regulations 2015 clarified that the Annual Governance Statement does not form part of the Statement of Accounts although there is an expectation that it is published alongside the Statement of Accounts. The Council follows this practice.

To comply with the Accounts and Audit Regulations 2015 and the Code, the Narrative Report will be published alongside the Statement of Accounts.

## Financial Statements

The Financial Statements report the Council's financial performance for the year and its financial position.

The Council's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 5) – The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council utilises income generated from local taxpayers and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amount to be met from local taxpayers and housing rents is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement
- **Movement in Reserves Statement (MIRS)** (Page 6) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable Reserves are those that the Council is not able to use to provide services, they are used to hold unrealised gains and losses, for example the revaluation reserve or to hold balances in relation to adjustments between accounting basis and funding basis under regulations.

- **The Cash Flow Statement** (Page 9) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 110) – This Account summarises the income and expenditure in respect of the provision of local Council housing accommodation. Councils' are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 118) – By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Council during the accounting period and the distribution of these funds.

The Council's financial position is reported through the:

- **Balance Sheet** (Page 8) - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable in the same way as in the MIRS.

The financial statements described above include the income, expenditure, assets, liabilities, reserves and cash flows of maintained schools within the control of the Council.

The **Expenditure and Funding Analysis**, included as Note 1 (Page 35) in the Notes to the Accounts, accompanies the Comprehensive Income and Expenditure Statement. It takes the net expenditure that is chargeable to taxation and rents (i.e. the General Fund and Housing Revenue Account) and reconciles it to the Comprehensive Income and Expenditure Statement.

**Main Financial Statements and Notes to the Core Financial Statements**

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council utilises income generated from local taxpayers and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amount to be met from local taxpayers and housing rents is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement

All of the Council's income and expenditure relates to continuing operations.

None of the items included within other comprehensive income and expenditure are reclassifiable within the surplus or deficit on provision of services.

The reportable segments shown below are those used for internal management reporting including budget monitoring reported to Senior Leadership Team and Cabinet.

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

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

## Movement in Reserves Statement

This Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation and are detailed in Note 36) and 'unusable reserves' (which are not available for use and are detailed in Note 37). The movement in reserves statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax [or rents] for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account balance movements in the year following those adjustments.

The General Fund reserves balance contains £11.9m of Covid-19 grants held to fund the ongoing Council response to the pandemic, including £8.2m of S31 grants to support additional business rates relief provided during 2021/22 that will impact the General Fund in 2022/23.

2020/21	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
<b>Balance as at 1 April 20</b>	<b>32,017</b>	<b>17,116</b>	<b>16,971</b>	<b>15,974</b>	<b>16,370</b>	<b>98,448</b>	<b>(44,346)</b>	<b>54,101</b>	36/37
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(21,913)	10,644	0	0	0	(11,269)	22,979	11,710	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	75,073	(17,160)	1,335	11,944	6,329	77,521	(77,521)	0	
<b>Increase / (Decrease) in Year</b>	<b>53,160</b>	<b>(6,516)</b>	<b>1,335</b>	<b>11,944</b>	<b>6,329</b>	<b>66,252</b>	<b>(54,542)</b>	<b>11,710</b>	
<i>Schools Balances transferred out on conversion to academy</i>	(744)					(744)		(744)	
<b>Balance as at 31 March 21 carried forward</b>	<b>84,433</b>	<b>10,600</b>	<b>18,306</b>	<b>27,918</b>	<b>22,699</b>	<b>163,956</b>	<b>(98,888)</b>	<b>65,068</b>	

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



## Balance Sheet

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

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

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

## Cash Flow Statement

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

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

**Accounting Policies**

- A) Statement of Accounting Policies
- B) Accounting Standards issued but not yet adopted
- C) Critical Judgements in applying Accounting Policies
- D) Assumptions made about the future and other major sources of estimation

## **A STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

The CIES is reported using total cost principles under international financial reporting standards not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

Note 1 in the Notes to the Core Financial Statements, the "Funding and Expenditure Analysis" provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants together with additional disclosure on material reconciling adjustments.

## **2 Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **3 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable. This position is in accordance with IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when Council satisfies a performance obligation by transferring a promised good or service to a service recipient, this can be over a period of time or at a point in time.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

## **4 Overheads and Support Services**

Support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer Services Directorates.

## 5 Debtors

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 21). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

## 6 Creditors

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 21). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

## 7 Tax Income (Council Tax, Residual Community Charge, and National Non-Domestic Rates)

### Council Tax

Council Tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

### National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New Deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors.

## 8 Inventories

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identify inventory is assigned using the first-in, first-out (FIFO) basis.

Should it become apparent that total costs will exceed total revenue the expected deficit on the contract is immediately expensed.

## 9 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## 10 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

A provision is recognised when:

- there is a present obligation (legal/constructive) as a result of a past event,
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

### Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

### Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

## 11 **Reserves**

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

Covid-19: The total cost to the Council of addressing the financial impact of Covid-19 in terms of expenditure, lost income and unachieved savings was mitigated in 2021/22 through the provision of Government support grants without an unplanned call on any reserves. However it is not possible to determine whether an additional call on the Council's reserves will be necessary in 2022/23.

## 12 **Government and Non-Government Grants**

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them, and
- the grants and contributions will be received.

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance.

Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Covid-19: A Review of 2021/22 grants has been undertaken to confirm that the impact of the pandemic has not prevented the Council meeting the grant terms and conditions. Some Covid-19 grants have been accounted for as 'agent' as the Council's role was simply to passport the grant from Government to a business, supplier or individual, with no decision making process required by the Council.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

## 13 **Non-current Assets – Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.



### Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs.

**Borrowing Costs** - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- **Qualifying Assets** – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- **Borrowing costs** – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where

there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.

- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as an Asset Held for Sale, it will be measured at the lower of carrying value and fair value less cost to sell.

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

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

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

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

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

#### Impairment of Assets

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

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

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

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

#### Disposals

The carrying amount of an item is derecognised:

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

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

Assets held solely to earn rentals or for capital appreciation purposes are classified as investment properties.

Non-operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as Surplus Assets. Surplus Assets are carried in the balance sheet at their fair value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings over 30 Years, other buildings and non-operational properties up to 100 years)

- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation will take place as assets are acquired, enhanced, replaced or revalued.

Revaluation gains/losses are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **14 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible Non-Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP) and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. Depreciation, revaluation and impairment losses are determined in accordance with the new “Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

### **Minimum Revenue Provision (MRP)**

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

## **15 Leases and Lease-Type Arrangements**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of

specific assets. The Council will recognise a lease where the contract for individual asset exceeds £25k.

(a) Finance Leases – Council as Lessee

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The apportionment is done in such a way as to produce a constant rate of interest on the outstanding liability in each period over the lease term

An asset recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses arising on leased assets. Instead, a Minimum Revenue Provision is made towards the deemed capital investment in accordance with statutory requirements and the Council's policy for determining MRP. Depreciation, revaluation and impairment losses are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

(a) Finance Leases – Council as Lessor

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the

Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

(b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 16 PFI and PPP Arrangements

Private Finance Initiative (PFI) and similar contracts fall within scope of IFRIC 12 and are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The only exception to this is where PFI assets are transferred to academies under 125 year lease arrangements, at the point of transfer the assets are removed from the Council's balance sheet.

PFI assets are initially recognised at their fair value when they are first made available for use balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). Initial direct costs to the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

each year are analysed into five elements: -

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- lifecycle replacement costs – Recognised as additions to Property, Plant and Equipment in the Balance Sheet as the scheduled works are carried out and the expenditure is incurred.
- lifecycle replacement costs – are accounted for as they are incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator. An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment / additional liability is carried forward in the balance sheet until the expenditure is actually incurred / settled, or , in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 13.

## 17 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at Fair Value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 18 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure

on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **19 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **20 Heritage Assets**

Heritage assets' principal purpose is to contribute to knowledge and culture and are assets which are preserved in trust for future generations for their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, e.g., insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that are being held for their heritage characteristics, but are also used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

## **21 Financial Instruments**

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).



- **Treasury Investments:**

Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, and they are part of the Council's Business Model. Whist Money Market Funds (MMF) behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting, as such the Council will treat them as Amortised Cost.

- **Non-Treasury Investments:**

These are assets that have may have a quoted market price and/or do not have fixed or determinable payments, and the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where it is not Amortised cost, this classification has two further sub sets for valuation:

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

(a) **Financial Assets Measured at Amortised Cost**

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

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

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

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

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

These are assets that have a quoted market price and/or do not have fixed or determinable payments. Of this classification those assets that are policy driven investments, not used to solely generate profit, but to actively support the execution of normal service functions are to be valued at Fair Value through Comprehensive Income (FVCI). They are recognised on the Balance Sheet when the Council becomes a party

to the contractual provisions of a financial instrument and are initially measured at fair value. Where the asset has fixed or determinable payments, then this would be Amortised Cost (as above) with annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. In practice FVCI is likely to contain only service equity investments,

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

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

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

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

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

#### Expected Credit Loss Model

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

#### Financial Liabilities

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

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

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

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

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

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

## 22 **Employee Benefits**

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business Services Authority (NHSBSA).
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme (LGPS), administered by South Yorkshire Pensions Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and Teachers' schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **23 Value Added Tax (VAT)**

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

### **24 Events after the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the audited Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Strategic Director - Finance and Customer Services authorises the audited Accounts for issue are not reflected in the Statement of Accounts.

Covid-19: Although as at 31 March 2022 a large proportion of the financial impacts of the Covid-19 pandemic were known and to a degree mitigated through Government emergency grant, there remains some limited potential for the financial implications of Covid-19 to impact the Council over the medium to longer term. It is recognised that the pandemic is potentially an Adjusting Balance Sheet Event in the context of the 2021/22 Financial Statements. Even though Covid restrictions have been removed, there is still however uncertainty with respect to the longer term impact of the pandemic due to the unknown pace of the local and national recovery. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2021/22.

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

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

## **25 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **26 Interests in Companies and Other Entities**

Where the Council exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non-contractual and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council.

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

## **27 Acquisitions and discontinued operations**

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as "transferred in" or "transferred out" operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

**B ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

Implementation of IFRS16 Leases was due to be included in the CIPFA Code of Practice on Local Authority Accounting for 2022/23. Implementation has been delayed until 2024/25 financial year. Work is ongoing to assess whether IFRS16 will have any material impact on the statement of accounts.

Short term leases and leases where the underlying asset is of low value are exempt. Any other lease will result in a right of use asset being carried in the balance sheet together with a liability for the payments.



**C      CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

There are no critical judgements to report.

## **D ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

### **Pensions liability**

Included in the Council's Balance Sheet at 31 March 2022 is an estimated pensions liability of £338m, calculated by the Pensions Fund's actuaries in accordance with the requirements of IAS19. This compares to £465m at 31 March 2021 and £450m at 31 March 2020 similarly calculated by the actuaries. The volatility in the amount of the liability is due to it being highly sensitive to a number of key assumptions used to determine pension fund liabilities, including the rate at which future liabilities are discounted to present value terms, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and the rate of inflation. The sensitivity analysis provided in Note 18 sets out how small changes to these key assumptions can result in a material change to the pensions liability. A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

### **Pensions Assets**

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

The South Yorkshire Pensions Authority that administers the Council's Pension Fund holds a variety of assets within the Fund including directly held properties. As a consequence of the Covid-19 pandemic, the valuation specialists for these properties attached a 'material valuation uncertainty' in the accounts for 2019/20, for this year ending 31 March 2022 the valuers consider the additional uncertainty arising from the pandemic has reduced sufficiently that their valuation report is no longer subject to a material uncertainty clause. This is also disclosed in the Pensions Authority's financial statements for the year ended 31 March 2021. Rotherham Metropolitan Borough Council's share of these property assets is considered material to the Council's financial statements. The Council's share of these assets has been included in the pension asset valuation reported in the Council's financial statements as at 31 March 2022.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 1 Expenditure and Funding Analysis
- 2 Adjustments between Accounting Basis and Funding Basis
- 3 Transfers to and from Earmarked Reserves
- 4 Other Operating Expenditure
- 5 Financing and Investment Income and Expenditure
- 6 Trading Operations
- 7 Taxation and Non-specific Grant Income
- 8 Analysis of Grant Income credited to CIES and capital grant received in advance
- 9 Acquired and discontinued operations
- 10 Agency Services
- 11 Transport Act
- 12 Pooled Budgets
- 13 Members' Allowances
- 14 Staff Remuneration
- 15 External Audit Fees
- 16 Dedicated Schools Grant
- 17 Related Party Transactions
- 18 Pensions
- 19 Property, Plant and Equipment, Capital Commitments, PFI,
- 20 Investment Property
- 21 Intangible Assets
- 22 Assets Held for Sale
- 23 Heritage Assets
- 24 Financial Instruments – Balances
- 25 Financial Instruments – Risk
- 26 Financial Instruments – Gains/losses
- 27 Financial Instruments – Fair Value of Assets carried at Amortised Cost
- 28 Financial Instruments – Soft Loans and Financial Guarantees
- 29 Long-term investments
- 30 Inventories
- 31 Construction Contracts
- 32 Debtors
- 33 Cash & Cash Equivalents
- 34 Creditors
- 35 Provisions
- 36 Usable Reserves
- 37 Unusable Reserves
- 38 Cash Flow - Analysis of adjustments to Surplus or Deficit on the Provisions of Services
- 39 Cash Flow – from Investing Activities
- 40 Cash Flow – from Financing Activities
- 41 Capital Expenditure and Financing
- 42 Leases
- 43 PFI and similar contracts
- 44 Capitalised Borrowing Costs
- 45 Contingent Liabilities
- 46 Contingent Assets
- 47 Trust Funds
- 48 Material Items of Income and Expenditure
- 49 Other Long-term Liabilities
- 50 Events after the Balance Sheet date / Authorised for Issue

## Note 1      Expenditure and Funding Analysis

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

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

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

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

**Notes:**

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

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

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

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

Note: There was continued significant increases in Council expenditure for 2021/22 due to the Covid-19 response and additional cost pressures this created across the Council. In addition sales fees and charges and income from NNDR were down year and year. However, as in 2020/21 government grants were significantly increased to assist the Council in mitigating these pressures.

### **Note 1c      Income Analysed by Segment**

International Reporting Standard IFRS15 was adopted in the 2018/19 Code of Practice on Local Authority Accounting. Per IFRS15 income from contracts with customers is recognised when the obligation has been fulfilled, i.e. when the service has been provided. Income received in year relating to services that will be provided in the following financial year is accrued to the year that the service will be provided.

Financial Statements have always been prepared on an accruals basis as stated in the accounting policies, therefore the application of IFRS15 has resulted in no change to the recognition of income.

Other income is that which falls outside the definition of income from contracts with service recipients and is mainly non government grants/contributions.

The authorities fees, charges and other income is analysed as follows:

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

Major source of income from contracts with service recipients:

Adult Care and Housing:	Adult Residential Care
Local Authority Housing (HRA):	Housing Rents
Children and Young People's Services:	Educational Support Services to Academies
Schools:	Fees to parents and room lettings
Regeneration and Environment Services:	A wide range of services including School Meals, Waste Collection/Treatment, Bereavement Services, Licencing, Civic Theatre, Development Control, Registrars, Markets, Building Cleaning and Parking
Assistant Chief Executive Office:	Human Resources services
Finance and Customer Services:	Schools Finance Service & Schools Insurance Scheme

## Note 2      Adjustments between Accounting Basis and Funding Basis

This note details the statutory adjustments for the differences between the way transactions are presented on a commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

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



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

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

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

### Note 3 Transfers to and from Earmarked Reserves

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

### Earmarked General Fund Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2021/22. A brief description of the purpose of each reserve is provided as follows:

(i) Transformation Reserve

This reserve is to be used to fund costs associated with transformational change in the delivery of Council services.

(ii) Business Rates Reserve

This reserve is to cover residual risks relating to appeals.

(iii) PFI – Schools

This PFI arrangement will last for 30 years. The reserve recognises the fact that receipts and payments into the reserve are smoothed out over the life of the contract so that the balance on the reserve at the end of the contract is nil.

(iv) Revenue Grant Reserve

The Revenue Grant Reserve represents revenue grants which have been recognised within income as the grant's terms and conditions have been met but yet to be applied. They will be used to meet future spending plans relevant to the grant.

(v) Budget & Financial Strategy Reserve

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

(vi) Budget Contingency Reserve

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

(vii) Housing Transformation Fund

This reserve is established for the management of shared savings generated through the contractual arrangement with the Council's repairs and maintenance contractors. The fund will be used to support key housing programmes and projects that require general fund support.

(viii) HRA Sinking Fund Reserve

The HRA Sinking Fund reserve is used to retain contributions from Shared Ownership leaseholders that are a compulsory requirement of their lease. The reserve will be used to fund future capital repairs and replacements to their properties. The monies can only be used to fund works to their individual property or estate, they cannot be used for any other purpose.

(ix) CYPS Social Care Reserve

The Children's and Young Peoples Services Social Care Reserve has been set up to help mitigate the continued cost pressures in relation to Children's and Social Care costs.

(x) DSG Grant Reserve

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

(xi) Covid 19 Grant Reserve

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

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

(xii) Covid Recovery Fund

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

(xiii) Local Tax Support Grant

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

(xiv) Collection Fund Income Guarantee

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

(xv) Treasury Management Savings Reserve

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

(xvii) Other Reserves

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

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

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

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

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

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

The Council considers a trading operation exists where the service it provides is competitive i.e. the service user has the choice to use an alternative supplier than the Council and the Council charges the user on a basis other than a charge that equates to the costs of supplying the service.

The trading accounts operated by the Council during the year are as follows:

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

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

**Construction, Street Cleansing and Landscaping**

Streetpride maintains over 680 miles of highways in a clean and safe condition for pedestrians, motorists, other road users and local communities. The majority of these are internal traded services, however there is some external provision to Parish Councils and academy schools.

**Vehicle Maintenance**

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

**Property Services – Fee Billing**

Quantity surveyors, project managers, architects, valuers involved in the valuation and construction of new and existing Council buildings. The majority of these are internal traded services, however there is some external provision to academy schools.

**Engineering – Fee Billing**

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

#### Cleaning of Buildings

Facilities Services provides a cleaning service for schools and other premises owned by Rotherham MBC. This service is also utilised by the NHS in certain buildings and by academy schools. The service also has a contract with Equans for the provision of cleaning services to PFI schools.

#### Markets

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

#### Building Regulations Control

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

#### School Support Services

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

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

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

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

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

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



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

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

Community Infrastructure Levy (CIL) income has been disclosed within the Capital Grants table above, in line with the Community Infrastructure Levy (CIL) regulations 2010.

Significant Revenue Grants attributable to specific services and which have therefore been credited to Cost of Services were as shown on following page:

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

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

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

### Section 106 Developer Contributions

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

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

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

### Note 9      Acquired and discontinued operations

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

All of the Council's income and expenditure relates to continuing operations.

### Note 10      Agency Services

#### NHS Funded Nursing Care

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

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

2020/21 £000		2021/22 £000
(2,071)	Gross income	(1,841)
2,071	Gross expenditure	1,841
0	(Under) / over spend	0

### **Note 11**      **Transport Act**

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

### **Note 12**      **Pooled Budgets**

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

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

The Better Care Fund is split into two Pools. RMBC host Pool 1 with income of £34.150m, which includes the former Intermediate Care and Equipment pooled budgets together with Occupational Therapy services, falls prevention, jointly commissioned integrated services and management of the Disabled Facilities grant funding. The RCCG host Pool 2 with income of £11.336m which supports Adult Mental Health Liaison, social care including residential care and keeping people in their own homes, care management and supporting discharge from hospital and support for carers.

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

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

2020/21 £000	<b>Better Care Fund - Pool 2 RCCG</b>	2021/22 £000
(11,129)	Rotherham CCG	(11,286)
(50)	Rotherham MBC	(50)
(11,179)	Total Gross Income	(11,336)
11,064	Revenue Expenditure	11,255
11,064	Total Gross Expenditure	11,255
(115)	Overspend / (Underspend)	(81)
115	Transfer of balances	81
0	Net Balance as at 31 March	0

The Council, through Childrens and Young People's Services Youth Offending Team operates a fund, established and maintained by the local authority for expenditure incurred in the provision of Youth Justice Services in Rotherham in order to meet S38 of the Crime and Disorder Act 1998 – Local Provision of Youth Justice Services. Contributions are made from the Police and Crime Commissioner £153K, National Probation Service £18K and RCCG £70K in line with subsection 2 of the Crime and Disorder Act.

The Local Authority, through Children and Young People's Services, maintains expenditure incurred in the provision of Rotherham's Local Safeguarding Children Board. This is a statutory body, established in accordance with the Children's Act 2004 and Working Together to Safeguard Children guidance 2015. Contributions are made from the Local Authority (Revenue Budget), Rotherham CCG, South Yorkshire Police, South Yorkshire Probation and CAFCASS.

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

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

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

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

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

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

Detailed information about Members' Allowances can be obtained from the Strategic Director - Finance and Customer Services, Finance and Customer Services Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

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

### **Note 14**      **Staff Remuneration**

The Accounts and Audit Regulations 2015 require the disclosure of certain information relating to officers' remunerations. Details of the number of employees who received remuneration of £50,000 or more based on 2021/22 payroll information, expressed in bands of £5,000 is as follows:

2020/21			2021/22	
Officers Total	Teachers Total		Officers Total	Teachers Total
48	10	50,000.00 to 54,999.99	54	7
24	9	55,000.00 to 59,999.99	22	6
17	10	60,000.00 to 64,999.99	25	8
21	3	65,000.00 to 69,999.99	19	7
3	2	70,000.00 to 74,999.99	7	1
2	2	75,000.00 to 79,999.99	1	1
3	1	80,000.00 to 84,999.99	2	2
3	0	85,000.00 to 89,999.99	2	0
8	1	90,000.00 to 94,999.99	8	0
1	0	95,000.00 to 99,999.99	0	0
0	0	100,000.00 to 104,999.99	0	0
0	0	105,000.00 to 109,999.99	0	0
0	0	110,000.00 to 114,999.99	1	0
0	0	115,000.00 to 119,999.99	0	0
0	0	120,000.00 to 124,999.99	0	0

The number of employees whose remuneration was £50,000 or more includes staff who have been given approval to leave the Council and have received an exit payment under the terms of their contract with the Council. In some cases that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2021/22, the number of such employees was 1 (0 officer and 1 teacher).

The number of officers and teachers whose remuneration fell between £50,000 - £124,999, has increased year on year by 4 overall, in the main, due to a pay award taking a pay scale into the over £50,000 bracket. There has also been some conversion of Schools to Academies which has reduced the Teachers total.

The above table excludes senior employees whose remuneration for 2020/21 and 2021/22 are shown in the Senior Officer notes below.

The disclosure for Senior Officers remuneration includes Senior Officers who are a member of the Senior Leadership Team and in Statutory and Non-Statutory Chief Officers roles and any other officer whose salary details are required to be disclosed by the Accounts and Audit Regulations 2015, including any other employees whose salary exceeds £150,000. The table also includes the Head of Legal Services as they were the Monitoring Officer up to 8 November 2021.



## Senior Officers 2020/21

Job Title/Employee	Salary 2020/21 £	Additional Payments 2020/21 £	Compensation & Ex-gratia 2020/21 £	Total remuneration excluding employer pension contributions 2020/21 £	Pension employer contribution 2020/21 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive	170,767.32	0.00	0.00	170,767.32	29,371.92
Former Assistant Chief Executive	13,560.35	5,133.30	0.00	18,693.65	2,332.38
Assistant Chief Executive	26,444.76	0.00	0.00	26,444.76	4,548.51
Former Strategic Director of Children and Young Peoples Services	87,224.71	6,411.88	0.00	93,636.59	15,002.66
Strategic Director of Children and Young Peoples Services	65,037.43	0.00	0.00	65,037.43	11,186.45
Strategic Director of Adult Care and Housing	133,755.96	0.00	0.00	133,755.96	23,006.04
Strategic Director or Regeneration & Environment	123,645.00	0.00	0.00	123,645.00	21,267.00
Strategic Director of Finance & Customer Services	123,645.00	0.00	0.00	123,645.00	21,267.00
Head of Legal Services	68,730.96	10,449.96	0.00	79,180.92	13,619.16
Total	812,811.49	21,995.14	0.00	834,806.63	141,601.12

## Senior Officers 2021/22

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

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

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

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

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

#### Further disclosure for exit packages

The table below shows the cost to the Authority of staff who have left under the voluntary scheme, together with other departures and those who have been made compulsorily redundant. These costs include, where appropriate, the full pension strain cost arising from early retirement, for which the Council is required to make an additional payment to the Pensions Authority. Since 2016/17 the Council has met this additional cost in full in the financial year that the employee's departure is accounted for.

The costs tabulated below are comprised of actual severance payments made during the year less accrued severance payments in respect of individuals who left or were approved to leave during 2020/21 but who were paid in 2021/22 and those staff whose severance was approved and agreed and to which the Council was committed at 31 March 2022 but who are planned to leave in 2022/23.

In 2021/22 no provision was made in respect of severance costs associated with the major restructuring of services (in 2020/21 no provision was made).

These charges are reflected in the total cost of termination benefits shown in Note (xiv) below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
Non Schools								
£0 - £20,000	10	1	53	55	63	57	287	241
£20,001 - £40,000	3	0	2	0	5	0	149	0
£40,001 - £60,000	3	0	0	1	3	0	129	48
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	0	0	0	1	0	85	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	17	1	55	56	72	57	650	289

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
Schools								
£0 - £20,000	2	2	13	10	15	12	77	49
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	1	0	1	0	32	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
Total	2	2	14	10	16	12	109	49

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

(xiv) Termination Benefits

During 2021/22 69 employees (2020/21, 88) from across the Council, including schools, have been given approval to leave the Council with an exit package (including, Compulsory Redundancies, Voluntary Early Retirement, and Voluntary Redundancy etc.).

The liabilities incurred as a result of the early termination of employees both in schools and non-schools in 2021/22 totalled £0.338m (2020/21 £0.760m) - composed of severance payments of £0.282m (2020/21 £0.499m) and £0.056m in pensions strain costs (2020/21 £0.261m).

## Note 15      External Audit Fees

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

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

## Note 16 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2021/22 and the comparative year are as follows:

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

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

During recent years Rotherham has faced growing pressure on the High Needs Budget which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1m, in the last three financial years the annual HNB deficit has been £5m, with a further deficit in 2019/20 of £4.6m and £2.1m in 2020/21 which has contributed to a net deficit in the DSG Central Reserve of £21.3m after taking into account of DSG balances in other DSG funding blocks.

The overspend is as a result of a number of factors; an increase in Education Health and Care Plans, increase in the number of post 16 young people with an EHCP who are now the responsibility of the

LA to fund potentially up until age 25 and an increase in the number of young people accessing higher cost provision.

The Department for Education (DFE) announced in July 2018 that from 2019-20 local authorities would be required to submit a recovery plan to the Department if they have a cumulative deficit of 1% or more of their Dedicated Schools Grant (DSG). A recovery plan was duly submitted by the Local Authority to the DFE. The plan explained in detail how the Local Authority intended to bring the DSG account back into balance. Officers met with DFE colleagues in February 2020 to discuss the plan in detail with a further meeting held in Spring 2021.

The DSG deficit recovery plan is predominantly linked to resolving the budget pressures in the High Needs Block which had a £2.1m overspend in 2020/21. As part of the short-term strategy to address the annual pressures a disapplication request was submitted to the Secretary of State to transfer £3m from the Schools Block to the High Needs Block in 2021/22. This request was approved.

A Social and Emotional Mental Health (SEMH) Strategy for Rotherham (to deliver 125 places) is now completed with most provisions now operating. It also sets out a number of partnership activities to address the needs of children with SEMH effectively and dampen the demand for higher tier services, including alternative provision. Following on from the SEMH strategy, the Special Educational Needs Sufficiency Strategy was agreed by Cabinet in May 2019, the Sufficiency Strategy aims to further increase the number of schools places in Rotherham for children with SEND (111 places – almost completed) and reduce the need for high cost placements. Other aspects of the Sufficiency Strategy will concentrate on supporting mainstream schools and academies to become increasingly more inclusive and thus reduce pressures on special school places.

As part of the Government spending review it announced additional funding for schools and high needs, compared to 2019/20 funding rose by £2.6 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 2022/23. In 2020/21 the £2.6 billion is split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block, in 2021/22 the £4.8 billion is split £3 billion to the Schools Block and £0.8 billion to the High Needs Block; the funding split for 2022/23 is still to be determined. For Rotherham this is an additional £5.5m for schools and £4.4m in the High Needs Block for the 2021/22 financial year.

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

## **Note 17**      **Related Party Transactions**

A person or close family member is a related party of the Council if they have the potential to control or significantly influence the Council's operating or financial decisions or are key management personnel. Close family member is more narrowly defined as a child, spouse or domestic partner, and children and dependants of spouses or domestic partners.

Another body is a related party of the Council if it is a subsidiary, associate or joint venture of the Council or otherwise related, or has the ability to control or significantly influence the Council's operating or financial decisions.

The potential to control or significantly influence may come about due to member or management representation on other organisations, central government influence, relationships with other public bodies or assisted organisations to whom financial assistance is provided on terms which enable the Council to direct how the other party's financial and operating policies should be administered and applied. The fact that a voluntary organisation might be economically dependent on the Council does not in itself create a related party relationship.

Disclosure of related party transactions is made when material to either party to the extent that they are not disclosed elsewhere in the accounts.

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

(i) BDR Property Limited (formerly Arpley Gas Limited)

With effect from 16 March 2008 Arpley Gas Ltd became BDR Property Ltd, a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. Waste Recycling Group was subsequently acquired by the FCC group in January 2014 with the company's immediate parent being FCC Environment (UK) Limited.

The company was set up for the purpose of carrying out waste disposal work and civic amenity site management. Its principal activity is management of the Thurcroft landfill site. It operates under a management agency agreement with FCC Recycling (UK) Limited.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £1.850 million

Council's Shareholding:

- a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.
- c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total. These shares are ranked after the other 3 classes of shares (A, B and C) and payment will only be made should funds remain available for distribution after meeting the entitlements of the other groups of shareholders. No voting rights are attached to these shares.

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

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

## Other

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

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

## Note 18 Pensions

The Council participates in three separate pension schemes relating to: Teachers, Local Government employees and staff performing Public Health Functions who transferred to the Council on 1 April 2013. All three schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

### (a) Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Scheme benefits are underwritten by the Government. Since April 2015 the Teacher's Pension Scheme has been a career average scheme rather than a final salary scheme with a normal retirement age the same as that for the state pension.

Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEAs). However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

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

### (b) Public Health Staff

Under the provisions of the Health and Social Care Act 2012, Public Health functions and the staff performing these duties were transferred from the National Health Service to Local Authorities on 1 April 2013. The majority of staff transferring have the eligibility to continue membership of the National Health Service Pension Scheme (NHSPS). Since April 2015 it has been a career average scheme rather than a final salary scheme with the normal retirement age being the same as that for the State Pension.



The NHSPS is an unfunded scheme operated on a “pay as you go” basis which provides defined benefits to its members. The NHS Business service (NHSBS) which administers the scheme uses a notional fund as a basis for calculating the employer’s contribution rate paid by Local Authorities. However, it is not possible for the Council to identify its share of the underlying assets and liabilities relating to the scheme and it is therefore accounted for as if it were a defined contribution scheme with the amount charged to revenue being the employer contributions payable in the year. Employee contributions in 2021/22 are tiered from 5% to 14.5% based on salary.

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

The 0.08% levy for the administration of the NHS Pension scheme was introduced in March 2017 by the Department of Health. In 2022/23 the employers contribution will increase to 20.68%, the total contributions expected to be made to the new NHS Pension Scheme by the Council in the year to 31 March 2023 is £0.023m.

#### (c) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through its participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council is able to identify a share of the underlying liabilities in the scheme attributable to its own employees and accordingly accounts for post-employment benefits as a defined benefit scheme in accordance with the requirements of IAS19. Consequently, the Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the IAS 19 cost of retirement benefits is reversed out through the Movement in Reserves Statement and replaced by the actual contributions payable in the year. The IAS 19 figures provided by the actuary in respect of 2021/22 make allowance for the reduction in liabilities falling on the Council as a result of schools acquiring academy status during the year which are shown as gains / losses on settlements.

Pensions Liability – the Covid 19 pandemic has resulted in substantial volatility in the financial markets and affected key indicators such as inflation and corporate bond yields which influence the value of the pension liability as assessed by the Fund’s actuaries. While the level of volatility attributable to the pandemic has reduced in recent months, the potential for significant future volatility arising from events such as the conflict in Ukraine, which would further influence the accounting value of the pensions liability remains.

During the year the Council paid employer’s superannuation contributions calculated at 17.2% amounting to £19.850m (2020/21 £19.551m at 17.2%). In 2020/21 the Council made a prepayment of £42.958m in respect of 80% of estimated annual pension contributions for the 3 years 2020/21, 2021/22 and 2022/23 of which £14.319m relates to 2021/22.

Total ongoing contributions of £19.600m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 based on an ongoing service contribution rate of 17.2%.

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

Court of Appeal ruling- McCloud. The Court of Appeal has ruled in the Sargeant/McCloud cases that the transitional protections afforded to older members when the public service pension schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for LGPS. The figures in the

accounts as provided by the actuary already include an allowance for McCloud that is substantially in line with this remedy. It has been concluded therefore, that no further adjustments to the valuation are required in relation to the McCloud ruling.

The Pension Fund is subject to regular triennial actuarial valuations. The last of these was in March 2019 which the South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned from the actuary, Mercer Human Resource Consulting Ltd. This showed an improvement in the fund's position with the Council's share of the Fund deficit on the scheme reducing from £133 million at the previous actuarial valuation in 2016 to virtually fully funded. The next triennial valuation will reflect the fund position as at 31 March 2022 and is currently being undertaken by the Pensions Fund new actuary Hyman Robinson LLP, who were appointed in 2021. The results of the 2022 valuation will determine the contribution rates from April 2023 onwards.

The funding level of the Pensions Fund is subject to a range of potentially material risks. The impact of small changes to key assumptions (inflation, pay awards, life expectancy, discounting of future pension liabilities) is set out in the sensitivity analysis later in this note. In assessing the potential level of liabilities the funds actuary has estimated the weighted average maturity profile of the defined benefit obligation to be 17 years.

The Pensions Authority invests the funds held by the scheme with the aim of achieving a return on these funds to pay the benefits due. If actual investment returns do not in future match the assumptions then the value of the assets will be lower and a funding shortfall could arise. To address this, South Yorkshire Pensions Authority has processes in place to monitor investment performance and the actuaries produce an annual review of the fund's performance including a comparison to other local Council funds. The Pension Fund's investment strategy is reviewed alongside each triennial valuation.

In the event that an employer is unable to pay contributions or make good deficits, the Pension Authority's focus is to ensure as far as possible that any liability can be recovered should an employer exit the Pension Fund. Where a Council acts as guarantor for an employer that defaults, the Council is responsible for meeting the liability, otherwise it falls on all employers in the Fund in relation to their size. The Council does not act as guarantor for other employers. Council contractors with access to the LGPS are required to have bonds in place (which are subject to regular review) to cover unpaid liabilities should their business fail before the end of their contract with the Council. In addition, contractors' contributions are subject to smoothing arrangements which are intended to ensure that they are fully funded by the end of the contract period.

Further information in relation to the Local Government Superannuation Scheme can be found in the South Yorkshire Pension Fund Annual Report which is available upon request from the Superannuation Manager, South Yorkshire Pensions Authority, Oakwell House, 2 Beever Court, Pontefract Road, Barnsley, S71 1HG.

### Transactions relating to Post-employment Benefits

The amounts included in the Comprehensive Income and Expenditure statement in relation to post retirement benefit costs under IAS 19 are shown in the table below. It also shows the adjustment made through the Movement in Reserves Statement to bring the amount charged to the General Fund back to the employer contributions payable to the LGPS during the year.

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

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

Net interest expense above includes £0.577m administrative expenses in relation to investments during 2021/22 (2020/21 £0.568m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial gain of £174.360m (£20.489m loss in 2020/21), has been included in Other Comprehensive Income and Expenditure in the CIES.

### Pension Assets and Liabilities recognised on the Balance Sheet

The amount included in the balance sheet from the Council's obligation in respect of its defined benefit plans is as follows:

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

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

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

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

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

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

## Analysis of the Fair Value of Plan Assets:

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

The above asset values are at bid value as required by IAS19.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis discounted to present value terms using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

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

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

### Sensitivity Analysis

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

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £73m if all other assumptions were held constant.
- If the rate of inflation were to be 0.1% higher, the defined benefit obligation would increase by £28m if all other assumptions were held constant.
- If the expected salary growth were to be 0.1% higher, the defined benefit obligation would increase by £5m if all other assumptions were held constant.
- If the discount rate used to discount future pension liabilities were to be 0.1% higher, the defined benefit obligation would decrease by £33m if all other assumptions were held constant.

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

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

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

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

2020/21	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 Apr 20	658,281	300,365	73,038	233,266	8,558	52,919	11,574	1,338,001
Additions	18,115	8,477	6,048	13,137	33	26,285	669	72,764
Accumulated Depreciation and Impairment written out to gross cost/valuation	(19,852)	(9,804)	0	0	0	0	(1,474)	(31,130)
Revaluation increases/decreases to Revaluation Reserve	33,353	8,957	0	0	(16)	0	(127)	42,169
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,556)	(2,125)	0	0	(3)	0	(853)	(7,537)
Derecognition - Disposals	(3,363)	(33,296)	(18,053)	(72)	(1,096)	0	(55)	(55,934)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	(7,380)	(7,380)
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other Movements in cost valuation	12,462	9,719	709	5,310	5	(34,822)	6,032	(585)
At 31 Mar 21	694,440	282,294	61,743	251,641	7,483	44,383	8,388	1,350,368
Depreciation and Impairment								
At 1 Apr 20	(3,360)	(24,981)	(46,515)	(56,965)	(7,490)	0	(1,474)	(140,786)
Accumulated Depreciation and Impairment written out to gross cost/valuation	19,852	9,804	0	0	0	0	1,474	31,130
Depreciation Charge	(16,533)	(7,535)	(5,681)	(4,694)	(3)	0	(12)	(34,458)
Impairment losses/reversals to Revaluation Reserve	0	(785)	0	0	0	0	0	(785)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(268)	(39)	(85)	(15)	0	0	(408)
Derecognition - Disposals	46	14,346	17,405	0	1,096	0	0	32,893
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(5)	5	0	0	1	0	0	1
At 31 Mar 21	1	(9,414)	(34,831)	(61,744)	(6,412)	0	(13)	(112,413)
Net Book Value								
At 31 Mar 21	694,440	272,881	26,912	189,897	1,071	44,382	8,374	1,237,955
At 31 Mar 20	654,921	275,384	26,523	176,301	1,068	52,919	10,101	1,197,214



2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 Apr 21	694,440	282,294	61,743	251,641	7,483	44,383	8,388	1,350,372
Additions	24,388	5,700	5,332	13,504	41	46,595	0	95,561
Accumulated Depreciation and Impairment written out to gross cost/valuation	(17,986)	(10,022)	(15)	0	0	0	(2)	(28,026)
Revaluation increases/decreases to Revaluation Reserve	27,193	27,730	0	0	0	0	51	54,974
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(11,916)	(1,556)	(13)	0	(76)	0	644	(12,917)
Derecognition - Disposals	(7,974)	(18,480)	(19,244)	0	0	0	(357)	(46,055)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	(802)	0	0	0	0	(336)	(1,138)
Reclassified to/from Investment Properties	0	0	0	0	76	0	2,540	2,616
Other Movements in cost valuation	2,838	5,113	243	1,121	30	(10,876)	0	(1,532)
At 31 Mar 22	710,982	289,977	48,046	266,265	7,554	80,102	10,928	1,413,855
Depreciation and Impairment								
At 1 Apr 21	1	(9,414)	(34,831)	(61,744)	(6,412)	0	(13)	(112,414)
Accumulated Depreciation and Impairment written out to gross cost/valuation	17,986	10,022	15	0	0	0	2	28,026
Depreciation Charge	(18,095)	(7,299)	(5,429)	(5,153)	(3)	0	(2)	(35,982)
Impairment losses/reversals to Revaluation Reserve	0	(642)	0	0	0	0	0	(642)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(630)	0	0	(54)	0	(347)	(1,031)
Derecognition - Disposals	111	360	18,550	0	0	0	357	19,378
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(2)	2	0	0	0	0	0	0
At 31 Mar 22	1	(7,600)	(21,695)	(66,897)	(6,468)	0	(3)	(102,664)
Net Book Value								
At 31 Mar 22	710,983	282,377	26,351	199,369	1,086	80,102	10,924	1,311,190
At 31 Mar 21	694,440	272,881	26,912	189,897	1,071	44,382	8,374	1,237,955

(a) Carrying Value of PFI Assets

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

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

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

b) Effects of change in estimates

There were no material changes in accounting estimates during the financial year.

c) Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2021/22 the HRA and General Fund assets were revalued by Mark Liversidge BSc (Hons), MRICS (registered valuer), acting as Internal Valuers within the Council's Regeneration and Environment Services. The Statement of Accounting Policies provides further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at current value together with, in the case of the latter, when assets were revalued.

This year the Council's internal valuer was instructed to provide an assessment of those assets not revalued as part of the five year rolling programme, based upon those assets that were revalued. Where applicable valuation adjustments have then be processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1 April 2021 to the 31 March 2022, again where applicable, adjustments have been processed. For some assets valued on a DRC basis a valuation date of the 1 January has been used.

d) Revaluations and Impairment

In 2021/22 there was a net valuation increase of £41.178m. Contained within the net figure is a £42.056m revaluation increase, mainly due to valuation increases across Council Dwellings and Schools. This was offset by (£1.673m) of impairment losses. The Council implements a rolling 5 year valuation process for Council Dwellings and Other Land and Buildings categories, picking up 20% of assets per class each year. However, the Council also considers any potential movements on the 80% not revalued and on the potential movement in year on any of these assets. If a significant adjustment is identified and processed to the asset class it effectively acts as a new valuation, by way of example in 2021/22 Council Dwellings had a movement applied to the whole asset class as such the values in the table below are all shown at 31 March 2022 rather than spread across all five years.

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

e) Capital commitments

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

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

The projects above are included in the Council's Medium Term Capital Programme and appropriate funding has been committed

f) Fair Value Hierarchy – Surplus Assets

Following the implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets are revalued at fair value, annually. The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data ('observable inputs') and minimising the use of estimates or unknowns ('unobservable inputs').

Details of the Council's Surplus Assets and their fair value hierarchy, taking into account the three levels of categories for inputs to valuations, are as follows:

2021/22 Position

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

2020/21 Comparative figures

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

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques used to determine Fair Values for Surplus Assets

The fair value for the surplus assets of £10.928m (£8.375m as at 31 March 2021) has been based on the market approach using current market evidence including recent sale prices and rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant leading to properties being categorized at level 2 in the fair value hierarchy.

## Note 20 Investment Property

Income and expenditure from investment property included within Financing and Investment Income and Expenditure (Note 5) was as follows:

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

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or the Council's right to the remittance of income and the proceeds of disposal.

The Council has no major contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

### Fair Value Hierarchy

To conform with the requirements of IFRS 13, Fair Value measurement, the Council's investment properties have been revalued to fair value. The Council uses appropriate valuation techniques maximising the use of 'observable inputs' and minimising the use of 'unobservable inputs'. The fair value hierarchy for investment properties takes into account the three levels of categories for inputs to valuations for fair value assets, as follows:

### 2021/22 Position

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

## 2020/21 Comparative figures

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

Transfers between levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation techniques used to determine Fair Values for Investment Properties

The fair value of investment property of £20.872m (£26.599m as at 31 March 2021) has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment property portfolio. The underlying market conditions are such that similar properties are actively purchased and sold with a significant level of observable inputs. This has resulted in the Council's investment properties being categorised as level 2 on the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The investment property portfolio has been valued at 31 March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The valuations are completed by Mark Liversidge BSc (Hons), MRICS (registered valuer), acting as Internal Valuer within the Council's Regeneration and Environment Services.

## **Note 21**      **Intangible Assets**

The Council has purchased software licences that it accounts for as intangible assets, the licences are valued at cost. The Council has no internally generated intangible assets. Most of the software licences have a finite useful life of 3 years during which period they are being amortised using the straight-line method.

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

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

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

## **Note 23**      **Heritage Assets**

Nature and scale of heritage assets held by the Council:

### Museum Exhibit

The Museum Exhibit collections hold over 90,000 items. Approximately 10% of these are on display at Clifton Park Museum in Rotherham. The remainder are held in off-site locations within the Borough.

Access to the collections can be obtained during the main museum opening times. The collections can be divided into the following main categories:

- a) Social & Industrial History (around 11,000 items) - Contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day.
- b) Archaeology (around 36,000 items) - Includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham).
- c) World Cultures (around 300 items) - Consists of objects originating from Africa, Asia, the Americas and Oceania. In 1981 the collection was transferred on loan to Leeds Museum.
- d) Numismatics & Philately (over 3,000 items) - Includes items dating from the 4th century BC to the 20th century AD.
- e) Fine Art (around 3,000 items) - Consists of oil paintings, water-colours, prints and a good collection of sculpture items.
- f) Decorative Art (around 5,500 items) - Predominated by ceramic items including a large collection from Yorkshire potteries, the most significant being items from the Swinton Pottery/Rockingham Works.
- g) Natural Sciences (over 30,000 items) – Including botanical and geological specimens from Yorkshire and Great Britain.

The majority of these assets have been revalued during 2018/19 and 2019/20 by an external valuer (Tennants). Though the asset class is not required to be valued every 5 years like more other categories it is felt best practice to do so and as such a further revaluation will take place 2024/25.

#### Civic Regalia & Plate

The Council's collection of Civic Regalia includes the Mayor and Mayoress' Chain of Office, the Diamond Pendant, the Mace and the Empire Cup. The chains and pendants are held in a safe in the Town Hall until required for civic ceremonies whilst all other items are kept in display cases and can be seen as part of a tour of the building.

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

#### Archives

The Council holds over 900 archive collections in secure, environmentally controlled, strong rooms and a secure, environmentally monitored store at Bailey House. These documents cover the history of the whole of Rotherham Borough from 1328 to the present day. The collection includes local Council materials, maps, plans, title deeds and family records. Access to the documents can be obtained by contacting the Archives and Local Studies Service.

The majority of these assets were revalued during 2018/19, by an external valuer (Tennants). Due to the volume of items, not all assets in the category could be valued and therefore the remaining items were revalued in 2019/20.

#### Historic Buildings

Two historic buildings are in the ownership of the Council: Keppel's Column, a 35.5 metre high free standing Tuscan order column listed grade II, and Catcliffe Glassworks Cone a listed grade I conical structure dating from 1740, the earliest surviving example of its type in Western Europe. These buildings are closed to the public on safety grounds.

These assets are carried at valuation rather than cost, both of them being valued on the 1 April 2012 by the Council's Internal Valuer. Both were regarded as having nil value as they are listed building with restrictions on their disposal, which gives them no commercial value.

#### Council policies for the acquisition, preservation, management and disposal of heritage assets

The Council's policies are contained in the "Collections Management policy" and the "Acquisition and Disposals policy", both of which are available on request from Heritage Services.

#### Heritage Assets Values



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

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

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

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

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

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

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

## **Note 24**      **Financial Instruments – Balances**

The financial liabilities and assets disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Borrowings	442,241	623,670	245,328	143,571
Plus Accrued Interest	0	0	4,541	4,719
Plus Creditors	121,085	121,022	112,162	123,575
Plus bank overdraft	0	0	7	9,321
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	563,326	744,692	362,038	281,187
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	563,326	744,692	362,038	281,187
Non Financial Liabilities	3,771	6,336	5,625	2,576
Total	567,097	751,028	367,663	283,762
Investments	435	370	367	177,405
Plus Accrued Interest	0	0	36	109
Plus Debtors	558	322	58,094	51,009
Plus Cash & Cash Equivalents	0	0	100,496	64,154
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	993	692	158,993	292,677
at fair value through profit or loss	0	0	0	0
fair value through other comprehensive income - designated equity instruments	190	190	0	0
Non-Financial Assets	0	0	0	0
Total Financial Assets	1,183	882	158,993	292,677
Non-Financial Assets			16,406	13,331
Total	1,183	882	175,399	306,008

The debtor balances indicated in the table differ from that shown on the balance sheet as these balances do not include any statutory debtors, such as Council Tax or non-domestic rates.

## **Note 25**      **Financial Instruments – Risk**

The Council's activities necessarily expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might have to renew a financial instrument on maturity at less advantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

## Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainties of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures in the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at the Council's annual Council Tax and Budget setting meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

These policies are implemented by a central treasury management team. The Council maintains written procedures for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

**Covid-19** As stated, Council risk management procedures are intended to minimise and mitigate the uncertainties of financial markets. Covid-19 is recognised as having increased market uncertainty, however it is not currently possible to quantify this increase in either the medium or longer term.

A review of the investments held under the Treasury Management Strategy has been undertaken and there is no evidence that these income streams are materially impaired as a result of the Covid-19 pandemic, therefore, no restatement of the 2021/22 year-end position is required.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Details of the Investment Strategy can be found on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels, adjusted to reflect current market conditions.

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

The debtor balances indicated in the table above differ from that shown on the balance sheet as these balances do not include any statutory debtors, such as Council Tax or non-domestic rates.

The Council has no exposure to losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current economic uncertainty within international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, historical default rates are maintained as a good indicator under these current conditions.

The Council also uses non-credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would be classified as other counterparties.

The estimated maximum exposure to defaults of £5.559m represents the Council's provision for bad debts for the Financial Instruments in the table above and forms part of the provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and current market conditions and these rates are applied to the debt raised rather than the percentages shown above.

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

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

The Council does not generally allow credit for its sundry debtors, such that all of the balance is past its due date for repayment. The past due amount can be analysed as follows:

31 Mar 21 £000		31 Mar 22 £000
8,332	Less than three months	9,195
402	Three to six months	392
792	Six months to one year	604
1,935	More than one year	1,965
11,461		12,156

### Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social care services but cannot afford to pay immediately. The total collateral at 31 March 2022 was £0.540m (£0.649m as at 31 March 2021).

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB, which provides access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced Budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Limits on the maturity structure of debt and the limits on investments placed for longer than one year are the key controls used to address this risk. The Treasury Team address the operational risks within the Council approved parameters by:

- Monitoring the maturity profile of financial liabilities and amending the profile by either new borrowing or rescheduling existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

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

The maturity analysis of financial assets is as follows:

31 Mar 21 £000		31 Mar 22 £000
57,830	Less than one year	177,514
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
57,830		177,514

The table for financial assets details the maturity profile of Money Market Loans. All Sundry Debtors and other payables are due to be paid in less than one year. These Sundry Debtors of £12.156m are not shown in the above table, however, an analysis is provided in the 'Credit Risk' section above. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

### Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council's Treasury Team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure long term returns. Alternatively, significantly lower temporary borrowing rates may be utilised to generate in year savings on interest payments, whilst rates fall and remain low, rather than entering into long term borrowing straight away.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2020/21 £000		2021/22 £000
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
(141,055)	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(164,450)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 27 Fair Value of Assets and Liabilities carried at amortised cost.

**Price Risk** – The Council does not generally invest in equity shares but does have a number of small shareholdings in its related companies. The Council is therefore not exposed to any significant risks arising from movements in the price of these shares and the shares are not classified fair value through profit and loss.

**Foreign Exchange Risk** – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to risk arising from movements in exchange rates.

## **Note 26      Financial Instruments – Gains/Losses**

Gains/Losses charged to the Comprehensive Income and Expenditure Statement and the Movement in Reserve Statement for the year to 31 March 2022 are as follows:

2020/21		Financial Liabilities	Financial Assets			2021/22
Total		Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	fair value through other comprehensive income	Total
£000		£000	£000	£000	£000	£000
18,648	Interest expense	19,196	0	0	0	19,196
0	Impairment (gain)	0	0	0	0	0
0	Premium/discounts	0	0	0	0	0
12,807	Finance Lease Interest	12,434	0	0	0	12,434
31,455	Interest payable and similar Charges	31,630	0	0	0	31,630
(91)	Interest income		(171)	0	0	(171)
31,364	Net gain (-) / loss (+) for the year	31,630	(171)	0	0	31,459

## **Note 27**      **Financial Instruments – Fair Values**

### Fair Value of Financial Assets

The Authority's equity shareholdings in companies disclosed at Note 17 – Related Party Transactions are not traded in an active market and are valued at historical cost (see below).

As 31 March 2022 some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/21 £000	As at 31/3/22 £000
Fair Value through Other Comprehensive Income				
Equity shareholding in BDR Property Ltd	Level 3	Discounted cash flow	190	190
Total			190	190

### Equity shareholding in BDR Property Ltd

The authority holds shares in BDR Property Ltd a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. As the asset is not held for trading or income generation, rather as a longer-term policy initiative, the equity has been designated as fair value through comprehensive income.

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1, 2 and 3 during the year.

### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans payable and PFI schemes, fair value estimates are calculated using new borrowing (certainty rate) discount rates. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated. The PWLB rate is deemed a reasonable proxy for non PWLB loans.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.



The fair values calculated are as follows:

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

The fair value for financial liabilities is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

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

The fair value of Public Works Loan Board (PWLB) loans of £390.862m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value (£8.604m) measures the reduced interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, this is because the Council took £227m of long term loans from PWLB during 2021/22 that if refinanced at the current prevailing rates would be significantly more expensive.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. If the Council was to seek to avoid any potential loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption by charging a premium equivalent to the additional interest, based on the redemption interest rates (£84.920m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £475.782m.

31 Mar 21			31 Mar 22	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
57,830	57,830	Money Market loans less than one year	177,514	177,514
42,666	42,666	Cash & Cash Equivalents	64,154	64,154
1,418	1,418	Third Party Loans	969	969
599	599	Long-term Debtors	344	344
11,461	11,461	Sundry Debtors	12,156	12,156
7,612	7,612	Housing Rents	5,642	5,642
9,668	9,668	Other Short-Term :	38,879	38,879
(7,345)	(7,345)	Bad Debts Provision	(5,559)	(5,559)
123,908	123,908	Total Financial Assets at Amortised Cost	294,099	294,099

The fair value for financial assets is the same as the carrying value because all are carried at cost as a fair approximation of their value.

## **Note 28**      **Financial Instruments – Soft Loans and Financial Guarantees**

Soft Loans – Loans granted by the Council at below market rates are accounted for on a fair value basis. This is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument for an organisation with a similar credit rating.

Government Regulations permit the removal of this charge through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans.

At 31 March 2022 the Council had no material soft loans requiring disclosure within the Balance Sheet.

Financial Guarantees – Under the revised Regulations the Council is required to record in its balance sheet any financial guarantees that it has provided based on the likelihood of the guarantee being called.

The initial recognition of the guarantee is measured at fair value based on the probability of the guarantee being called together with the likely amount payable under the guarantee.

At 31 March 2022 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

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

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

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

## **Note 30**      **Inventories**

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

## **Note 31**      **Construction contracts**

The Council has not recognised any significant contract revenue in respect of construction contracts with third parties during the year, and there are no significant construction contracts in progress at 31 March 2022 (Nil 2020/21).

**Note 32**      **Debtors**

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

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

**Covid-19**

The Sundry Debtor balances within the 2021/22 Financial Statements have been reviewed to assess the impact upon them of the Covid-19 pandemic and no material impairment has been identified. As the Council has already made robust and prudent bad debt provision further adjustment to the 2021/22 accounts is not considered necessary.

There is still considerable uncertainty about the impact of Covid-19 on collection rates for Business Rates and Council Tax including arrears in 2021/22 onwards. Experience so far in 2021/22 has not suggested that the collection of prior year arrears has been significantly impacted by Covid-19. In light of this, the high level of uncertainty and as the robust and prudent bad debt provision in place, an impairment adjustment to the council Tax and Business Rates debtor balances as at 31 March 2022 is not deemed feasible or necessary at present.

**Note 33**      **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

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

## Note 34 Creditors

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

## Note 35 Provisions

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

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

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

### Insurance claims

The Council's liability risk is insured by QBE Insurance Group (via Risk Management Partners - RMP) whilst the property risk is insured by Travelers.

In balancing the cost of insurance against the risk of a liability arising, the Council has elected to meet the policy excess in respect of certain types of claim (Employers' Liability and Public Liability) and to co-insure or self-insure itself against other types of claim by operating an Insurance Fund. Details of the different types of claim covered by this arrangement are set out below.

The Council keeps under review the best estimate of the likely liability falling on the Insurance Fund by reference to recent claims history, repudiation rates and other relevant factors and the expert advice of the Council's legal representatives on larger more complex claims.

The provision in this year's accounts covers the estimated residual liability relating to claims settled by Municipal Mutual Insurance (MMI) which, under the terms of MMI's Scheme of Arrangement, can no longer be met in full and therefore require a proportion to be repaid by the local authorities who were members of MMI when it went into solvent liquidation in 1992. This includes the Council.

(a) Employers Liability and Public Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers' liability, up to an agreed threshold per claim, at present this is determined at £250,000. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer, up to a stop-loss limit of £350,000 in any one period of insurance. The Fund bears the first £50,000 of all claims involving education, municipal and housing property.

(c) Motor

All accidental damage to our own vehicles is self-funded. The Fund recoups the cost from user departments/services via an annual charge per vehicle. There is an excess of £500 on all claims (£1,000 for thefts) which is met initially by the Fund and recharged to owning departments. Third party risks remain with the external insurer with the Council meeting the first £150,000 of every settlement.

(d) Council Flats – Added Perils

The Fund insures blocks of flats for added perils where one or more flats have been sold under the right to buy arrangements.

(e) Schools ICT Equipment

Where requested, schools ICT equipment is insured on the Fund on an 'All-Risks' basis. This arrangement does not extend to Academy schools.

(f) Other Equipment

Where requested, schools' musical instruments, televisual and video equipment, Youth & Community equipment and office equipment are insured on the Fund on an 'All-Risks' basis. In addition schools can insure many other items if desired. This arrangement does not extend to Academy schools.

In addition to the above there are many smaller risks which are self-insured including:

- Schools PABX Equipment (switchboard equipment)
- 'Time on Risk' Cover
- The York and Lancaster Exhibition

### Business Rates Appeals

Under the business rates retention regulations which came into effect on 1 April 2013, an allowance is made for the amount of business rate income it is estimated will have to be refunded to business ratepayers as a result of appeal. The provision represents the Council's share of the overall estimated liability for refunding business rate payers income recognised up to and including the end of the

financial year. We anticipate the majority of refunds provided for at 31 March 2022 will be made during 2022/23 and the provision has therefore been classified as a current provision.

#### Other

Other provisions comprise commercially sensitive items disclosure of which would prejudice the Council's position.

### **Note 36**      **Usable Reserves**

The Council's usable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 7 and Notes 2 and 3.

The total cost to the Council of Covid-19 in terms of expenditure, lost income and unachieved savings and the total level of Government support available to the Council to address these costs is not fully known at present. It is not therefore possible to determine whether an additional call on the Council's reserves, above those detailed within the Council's Budget and Council Tax Report 2021/22 will be necessary in 2022/23.

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

#### (a) Capital Receipts Reserve

Income from the disposal of non-current assets is credited to the Capital Receipts Reserve. The amount credited in respect of housing capital receipts is reduced by the amount the Council is required to pay over to central government under the national pooling arrangements. The Capital Receipts Reserve can only be applied to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. However under the Statutory Guidance on the Flexible Use of Capital Receipts, General Fund receipts received since 1 April 2016 can be used to fund revenue transformational costs.

#### (b) Major Repairs Reserve

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all HRA assets. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that subsequent funding of capital expenditure does not affect the Housing Revenue Account.

(c) Capital Grants Unapplied Account

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within usable reserves reflecting its status as a capital resource available to finance future capital expenditure.

(d) General Fund Minimum Balance

The General Fund balance represents uncommitted revenue balances held to safeguard the Council against potential financial risks, unforeseen costs and contingencies. The balance to be held is risk assessed annually as part of the budget setting process to ensure a prudent level of resources is retained.

(e) Earmarked Reserves

Details of the earmarked reserves the Council has set aside to meet specific needs or which are ring-fenced to particular services are contained in Note 3.

Details of the earmarked reserves the Council has set aside to meet specific needs or which are ring-fenced to particular services are contained in Note 3.

(f) Covid-19 Grants Reserve

The Covid-19 reserve was established to hold the early payment and carrying balances of Government grants provided to support the Council in its response to the pandemic.

(f) Earmarked Reserve DSG

The Dedicated School Grant (DSG) is a ring fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) (No 2) Regulations 2018 (see note 16 for further details). Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. There is currently a deficit balance on the Dedicated Schools Grant which, in accordance with Government policy, must be addressed from school funding, therefore the deficit must be carried forward. Childrens' and Young Peoples Service have implemented a plan to reduce the deficit in the short term and recover the deficit over the longer term.

(g) HRA

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to a Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

### Note 37      Unusable Reserves

The Council's unusable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve and movements thereon during the year.

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



(a) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets under normal accounting practices and statutory requirements for financing capital expenditure applicable to local authorities. Hence, it is debited with capital charges (depreciation, impairment, revaluation losses and amortisation) that have been made in the Comprehensive Income and Expenditure statement but which are reversed out as they are not proper charge to revenue for council tax purposes and credited with the amount which is set aside from capital resources or from revenue to finance capital expenditure under the statutory provisions (the accounting policies set out the Council's approach for determining a prudent charge to revenue for debt repayment and PFI liabilities). The Capital Adjustment Account also contains accumulated gains and losses on investment properties and on Property Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created.

2020/21 £000		2021/22 £000
(219,412)	Balance 1 April	(221,381)
49	Debt Repayment	50
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,012	Amortisation of Intangible Assets	4,143
31,856	Charges for depreciation and impairment of non-current assets	32,380
4,561	Revenue expenditure funded from capital under statute	6,427
	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
32,459		28,084
17,179	Depreciation - Major Repairs Reserve	18,773
(2,085)	Write down of Met Debt deferred Liability	0
	Adjusting amounts written out to Revaluation Reserve:	
(10,621)	Disposal	(2,623)
(5,741)	Excess of current cost depreciation over historic cost depreciation	(6,967)
	Capital Financing Applied in the year:	
(10,703)	Use of Capital Receipts Reserve to finance capital expenditure	(10,097)
(49)	Use of Capital Receipts Reserve to repay debt	(50)
(9,369)	Use of Major Repairs Reserve to finance capital expenditure	(25,264)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(32,370)	Application of grants to capital financing from the Capital Grants Unapplied Account	(48,436)
(6,582)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,354)
0	MRP holiday	0
(13,565)	Capital expenditure charged against the General Fund and HRA balances	(6,529)
(221,381)	TOTAL	(238,844)

(b) Revaluation Reserve

The Revaluation Reserve represents the cumulative unrealised revaluation gains and losses on the Council's Property, Plant and Equipment since the reserve was created on 1 April 2007.

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

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve represents amounts due from the sale of non-current assets that have still to be realised. Under statutory arrangements, this only becomes available for financing on receipt of cash at which point a transfer is made to the Capital Receipts Reserve. The balance is mainly represented by mortgages on council houses sold to (former) tenants.

2020/21 £000		2021/22 £000
(98)	Balance 1 April	0
98	Transfer to the Capital Receipts Reserve of cash received	
0	Balance at 31 March	0

(d) Movements in Fair Value through Profit & Loss (FVPL) Financial Instruments Reserve

The Fair Value through Profit & Loss (FVPL) Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

At 31 March 2022 the Council held no financial assets classified as Fair Value through Profit & Loss (FVPL)

(e) Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits under normal accounting practices and statutory requirements for funding benefits applicable to local authorities. The amount recognised as post-employment benefits under normal accounting practice reflects the benefits accrued by employees from their reckonable service, and changes to the assumptions about the liabilities that will fall on the scheme when benefits are paid out and the value of scheme assets to cover those liabilities. The amount charged under statutory provision is the amount due to be paid over by the Council as employer contributions under local government pension scheme rules.

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for post-employment benefits attributable to the Council at the balance sheet date. The deficit represents the amount by which benefits earned by past and current employees currently exceeds the resources set aside by the Council to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Further details of the Council's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 18.

2020/21 £000		2021/22 £000
450,155	Balance 1 April	493,333
20,489	Remeasurements of the net defined benefit liability/(asset)	(174,360)
43,450	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	54,054
(20,761)	Employer's pensions contributions and direct payments to pensioners payable in the year	(20,445)
493,333	Balance 31 March	352,582

(f) Short-term Accumulated Absences Account

The Accumulating Absences Accounts absorbs the timing differences arising from the different arrangements for accounting for short term compensated absences under normal accounting practices and statutory requirements for charging such absences applicable to local authorities. Under normal accounting practice, an accrual is made to charge compensated absences, for example, annual leave entitlement not yet paid, in the year in which they are earned. However, under statutory provision, these are charged to revenue in the year in which they are payable. The balance on the Accumulating Absences Account therefore represents the amount of compensated absences earned which will fall as a charge on the General Fund in the future.

2020/21			2021/22	
£000	£000		£000	£000
	4,424	Balance 1 April		4,068
(4,424)		Settlement or cancellation of accrual made at the end of the preceding year	(4,068)	
4,068		Amounts accrued at the end of the current year	4,215	
	(356)	Net amount charged to Comprehensive Income and Expenditure Statement in the year reversed out under regulation chargeable to revenue in the future when payments fall due		147
	4,068	Balance at 31 March		4,215

(g) Financial Instruments Adjustment Account

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

General Transactions

The Code requires that unless directly attributable to a loan held at 31 March 2007 then all premium and discounts carried on the Balance Sheet at that date were required to be written off to the General Fund Balance as at 1 April 2007. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The balance of premium and discounts will be amortised to revenue in line with the provisions set down in the Council's accounting policies.

The Code also requires that where the Council has provided loans at less than market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Income and Expenditure Account. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The fair value increases over the period of the loan and the annual impact will be neutralised in the Income and Expenditure Account by the writing down of the balance on the Financial Instruments Adjustment Account.

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

(h) Collection Fund Adjustment Account

The Collection Fund Adjustment Account absorbs differences between the amount of council tax income recognised under normal accounting practice as it falls due from council tax payers and the amount due to the General Fund and preceptors under statutory provisions. The balance on the Collection Fund Adjustment Account therefore represents the amount still to be distributed to the General Fund and precepting authorities.

**Covid-19** Due to current uncertainty with respect to the progress of the Covid-19 pandemic and national recovery and in light of government measures developed in relation to the Collection Fund, it is not considered that the 2021/22 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2022/23.

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

(i) Dedicated Schools Grant Adjustment Account

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

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

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

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

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

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

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

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

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

	2020/21 1 Apr 20 £000	Cash Flow £000	Non Cash Change £000	2020/21 31 Mar 21 £000
Long Term Borrowing	(385,069)		(57,172)	(442,241)
Short Term Borrowing	(255,778)	(51,180)	57,089	(249,869)
PFI & Lease Liabilities Short Term	(3,426)	3,426	(2,986)	(2,986)
PFI & Lease Liabilities Long Term	(123,491)		2,986	(120,505)
NNDR & CTAX		3,214		
	(767,764)	(44,540)	(83)	(815,601)

**Note 41 Capital Expenditure and Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

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

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

The MRP value disclosed in this note has two key differences from that disclosed in note 37a, firstly the MRP on this note includes Met Debt MRP, and secondly the W/D of finance lease MRP is shown separately within the 'write down of finance lease liability' line.

The CFR note includes an adjusting line that picks up an historical issue where adjustments for MRP on PFI contracts had not been factored into the calculation of the Councils CFR position. These values have now been factored into the CFR table above. It should be noted that this is a disclosure adjustment, the adjustment made does not impact any financial transactions posted to the Councils accounts, it is merely reporting them correctly in this CFR note

**Note 42**      **Leases**

The classification of all types of lease including land is assessed on who has the risks and rewards of ownership as for all other types of lease.

Contingent rents are expensed in the year in which they are incurred.

**(a) Finance leases – Council as Lessee**

The movements in Finance Lease liabilities during the year are as follows:

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

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

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

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

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



(b) Operating leases – Council as Lessee

The Council has the right of use over a range of assets by virtue of operating leases that it has entered into. The future minimum lease payments due under these non-cancellable leases in future years are:

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

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

(c) Finance leases – Council as Lessor

The Council does not hold any finance lease lessor arrangement that generate a net investment in finance lease receivable to bring onto the balance sheet.

(d) Operating leases – Council as Lessor

Most of the property and equipment leased out by the Council meets the definition of investment property. The rental income earned from leasing out these investment properties is disclosed in Note 20.

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

As at 31 March 2022, the Council has in place three long-term contracts under Private Finance Initiative (PFI) arrangements, one of which, the Waste PFI, is a joint contract with Barnsley and Doncaster Councils. In addition, it has in place one partnership agreement.

As a result of a change to the way in which PFI Schemes and Similar Contracts were accounted for in 2009/10 on transition to IFRS, assets within the PFI Schemes or Similar Contracts were brought on Balance Sheet. The movement in the carrying value of these assets is disclosed in the Property Plant and Equipment note (Note 19a).

The note below provides a brief description of each scheme and outstanding obligations.

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 8 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All the schools were completed in line with the original programme. At the expiry of the contract the 12 PFI schools, 6 primary and 6 secondary schools, which have converted to academy trusts, transfer to the individual trusts under 125 year lease arrangements with the Council, the remaining 2 primary schools transfer back to the Council for nil consideration. The agreed government funding is being received and will support the Authority to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £16.718m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6.223m of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involved the construction of 3 new combined swimming pools and dry leisure centres, one stand-alone swimming pool and a joint service centre. The contract with DC Projects (Rotherham) Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31 October 2041, when all the assets transfer back to the Council for nil consideration. £24.954m of PFI Credits have

been awarded to support the scheme. All 5 facilities are operational. Payments during the year totalled £4.718m. In the same period the Council received £1.811m of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008, who now manage the Borough's Bereavement Services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the assets revert back to the Council for nil consideration.

(d) Waste Management PFI

The Council's joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) became operational in July 2015. The contract is providing residual waste and recycling facilities for the 3 boroughs. The Councils have been jointly awarded £77.4m PFI credits for this project. The Council received £1.789m of PFI grant in support of this project in 2021/22. Payments during the year totalled £7.014m.

(e) Movements in Finance Liabilities

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

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

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

	Payment for Services £000	Finance Lease Liability £000	Interest £000	Total £000
Not later than one year	17,704	3,459	9,731	30,894
Two to five years	76,329	16,574	36,656	129,559
Six to ten years	107,465	30,985	39,003	177,453
Eleven to Fifteen years	88,835	25,872	24,700	139,407
Sixteen to twenty years	67,320	14,764	10,797	92,881
Twenty one to twenty five years	6,370	1,256	2,017	9,643

**Note 44**      Capitalised borrowing costs

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

## **Note 45**      **Contingent Liabilities**

The Council discloses contingent liabilities in excess of £50,000 those that meet this requirement are disclosed below.

### Public Liability claims

The Council has 4 outstanding public liability claims

### Employee Liability claims

The Council has 4 outstanding employee liability claims

### Employment Tribunals

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

### Contract related claim

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

## **Note 46**      **Contingent Assets**

### Claims for recovery of tax

Protective VAT claims have been submitted to HMRC to recover VAT on Landfill Tax and Leisure Services. The quantity and strength of the claims have yet to be determined by litigation.

### Contract related claim

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

## **Note 47**      **Trust Funds**

The Council acts as sole trustee for various legacies relating to the provision of educational supplies to specific local schools. Each fund holds investments and may use the interest derived from those investments to fund the purchase of supplies.

Accumulated interest balances and the respective balance sheets are as follows:

	Balance as at 1 Apr 2021 £	Income £	Expenditure £	Balance as at 31 Mar 22 £
Treeton Council School War Memorial	889	31	0	920
EJ Butland, Treeton Infants	789	32	0	821
Whiston Two Wars Memorial	1137	125	0	1262
Total	2,815	188	0	3,003

**Trust Funds – Balance Sheet**

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

**Note 48**      **Material items of income and expenditure**

This note is used to draw attention to material items of income and expenditure not disclosed separately on the face of the CIES which need to be taken into consideration to gain a full understanding of the Council's financial performance in the year.

Schools

As shown in Note 18 of the accounts, £1.968m has been credited to the CIES in respect of settlements. This all relates to the transfer of pension liabilities from the Council when schools convert to academies and, as a consequence, has been credited in full to the "Schools" heading within the CIES..

Loss on disposal of non-current assets

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

Pensions Prepayments

The Council is liable to make annual revenue contributions in respect of its Pension Fund liabilities as specified in the actuary's certificate of rates and contributions. Agreement was reached with South Yorkshire Pensions Authority that the amounts due in respect of 2020/21, 2021/22 and 2022/23 could be settled by way of a single payment made in April 2020. The amount settled in April 2020 in respect of 2021/22 was £14.319m. The discount given for doing this has been apportioned over the three years on a pro rata basis.

Covid income and expenditure

Throughout the pandemic the Council has incurred significant additional costs in its efforts to manage and mitigate the impact of Covid-19. These financial pressures cut across three main themes, additional costs incurred due to the pandemic, lost sales, fees and charges income as a result of closed services and delayed delivery of planned savings. The Council has been able to mitigate these pressures through the use of Government provision of emergency funding to support the Covid-19 response, sales, fees and charges income compensation claims and used in 2021/22 of specific Covid-19 government grants.

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

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

**Note 50**      **Events after the Balance Sheet date**

The draft Statement of Accounts was authorised for issue by the Judith Badger, Strategic Director of Finance and Customer Services on 28 July 2022. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

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

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

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting principles, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. Format of this account has been slightly changed from CIPFA code format to make it easier for the reader to compare to the Comprehensive Income and Expenditure Statement.

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

## Movement on the Housing Revenue Account Statement

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit or the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

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



## Notes to the Housing Revenue Account

### Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

## Note 1 continued

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

## Note 2 Housing Stock at 31 March 2022

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

### Note 3      Housing Stock Valuations

#### (a)      Property, Plant and Equipment

2020/21	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 20	658,281	18,124	491	29,183	7,407	713,486
Additions	18,115	619	0	15,634	669	35,037
Accumulated Depreciation and Impairment written out to gross cost/valuation	(19,852)	(847)	0	0	(4)	(20,703)
Revaluation increases/decreases to Revaluation Reserve	33,353	686	0	0	(154)	33,885
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,556)	(2,748)	0	0	(257)	(7,561)
Derecognition	(3,363)	(1,842)	0	0	(54)	(5,259)
Assets reclassified (to) / from Investment Property	0	0	0	0	(7,380)	(7,380)
Other Movements in cost valuation	12,462	6,011	0	(24,471)	6,132	134
At 31 Mar 21	694,440	20,003	491	20,346	6,359	741,639
Depreciation and Impairment						
At 1 Apr 20	(3,364)	(1,151)	(490)	0	(3)	(5,008)
Accumulated Depreciation written out to gross cost/valuation	19,852	543	0	0	4	20,399
Accumulated Impairment written out to gross cost/valuation	0	305	0	0	0	305
Depreciation Charge	(16,533)	(634)	(1)	0	(12)	(17,180)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	46	3	0	0	0	49
Other movements in depreciation and impairment	(5)	5	0	0	0	0
At 31 Mar 21	(4)	(929)	(491)	0	(11)	(1,435)
Net Book Value						
At 31 Mar 21	694,436	19,074	(0)	20,346	6,348	740,204
At 31 Mar 20	654,917	16,973	1	29,183	7,404	708,478

2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 21	694,440	20,003	491	20,346	6,359	741,639
Additions	24,388	693	0	16,708	0	41,789
Accumulated Depreciation and Impairment written out to gross cost/valuation	(17,986)	(601)	0	0	(2)	(18,589)
Revaluation increases/decreases to Revaluation Reserve	27,193	865	0	0	(108)	27,950
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(11,916)	(1,245)	0	0	(294)	(13,455)
Derecognition - Disposals	(7,974)	(1,605)	0	0	(357)	(9,936)
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0
Other Movements in cost valuation	2,838	4,555	0	(8,858)	(336)	(1,801)
At 31 Mar 22	710,983	22,665	491	28,196	5,262	767,597
Depreciation and Impairment						
At 1 Apr 21	(4)	(929)	(491)	0	(11)	(1,435)
Accumulated Depreciation written out to gross cost/valuation	17,986	600	0	0	2	18,589
Accumulated Impairment written out to gross cost/valuation	0	0	0	0	0	0
Depreciation Charge	(18,095)	(675)	0	0	(2)	(18,773)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	(347)	(347)
Derecognition - Disposals	111	9	0	0	357	477
Other movements in depreciation and impairment	(2)	2	0	0	0	0
At 31 Mar 22	(4)	(993)	(491)	0	(1)	(1,489)
Net Book Value						
At 31 Mar 22	710,979	21,672	(0)	28,196	5,261	766,108
At 31 Mar 21	694,436	19,074	(0)	20,346	6,348	740,204

Other assets including district boiler houses have been classified as intrinsic to the day to day operation of the housing estates in which they are located and as such have no asset value in their own right. Garage structures are valued based upon capitalised income streams.

Other operational property plant and equipment such as estate shops and area housing offices are held within the General Fund Asset Register.

(b) Vacant possession

	£m
Value as at 1 Apr 21	1,725

The difference between the Balance Sheet valuation of dwellings shown at (a) above and the vacant Possession value reflects the economic cost to Government of providing Council Houses at less than open market rents.

**Note 4     Assets Held for Sale**

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

**Note 5     Major Repairs Reserve**

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

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

**Note 6     Financing of Capital Expenditure**

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

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

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

**Note 7     Depreciation**

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2021 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2021 and has been calculated using the 'straight line' method over 15 years.

### **Note 8     Impairment**

A net impairment charge of (£13.979m) has been included in the HRA Income and Expenditure Account (£7.561m in 2020/21). This charge is reflected in the HRA Income and Expenditure Account in arriving at the surplus on the provision of HRA Services. In accordance with proper accounting practice the Council reversed out the impairment charge in determining the movement on the HRA balance.

### **Note 9     Rent Arrears & Other Provisions for Bad and Doubtful Debts**

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

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

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

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

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

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

### **Note 10     Interest Payable and Other Charges**

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

### **Note 11     Contributions to and from the Pensions Reserve**

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

## THE COLLECTION FUND

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

## REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2022

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

## **Notes to the Collection Fund Statement**

### **Note 1 Council Tax**

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2021/22 is shown below.

Adjustments to the Council Tax base to reflect the estimated collection rate of Council Tax are also set out below:

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 96%
A	28,414	6:9	27,277
B	15,332	7:9	14,719
C	12,277	8:9	11,786
D	8,603	9:9	8,259
E	5,389	11:9	5,173
F	2,477	13:9	2,378
G	1,149	15:9	1,103
H	67	18:9	64
	73,708		70,760

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

Business Rates are levied on non-domestic premises at a rate in the pound determined by central government which is applied nationally (the national multiplier). The national multiplier in 2021/22 was 51.2 pence in the pound and a small business rating multiplier of 49.9 pence in the pound (51.2 pence and 49.9 pence respectively in 2020/21).

The NNDR income in 2021/22 after allowing for mandatory and discretionary reliefs of £66.430m (£45.587m 2020/21) was based on a total rateable value of £190.8m as at 31 March 2022 (£194.2m as at 31 March 2021). The increase from prior year income was due to a reduction in business rates relief awarded in response to Covid-19.

### **Note 3 Discounts**

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



#### **Note 4**     **Collection Fund Balance**

The balance on the Collection Fund at 31 March 2022 is a deficit of £2.563m (£30.692m deficit 2020/21) and consists of a £7.069m deficit (£33.977m deficit 2020/21) relating to business rates to be distributed to the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a £4.506m surplus (£3.285m surplus 2020/21) in relation to council tax. The deficit relating to business rates was due to additional reliefs awarded in relation to Covid-19, the Council has been awarded government section 31 grant to offset it's share of the relief awarded The section 31 grant for additional business rate relief is carried forward in reserves to offset the Council's repayment of the 2021/22 deficit to the Collection Fund in 2022/23. The balance is distributed to the billing Authority (Rotherham MBC), South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Civil Defence Authority as follows:

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

**Covid-19** Due to current uncertainty with respect to the progress of the Covid-19 pandemic and national recovery and in light of the proposed government measures being developed in relation to the Collection Fund, it is not considered that the 2021/22 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2022.

#### **Note 5**     **Parish Precepts**

Precept demands are issued by the parishes on the Council as Billing Authority. In turn the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable. The payment of the parish precepts appears as a charge in the Comprehensive Income and Expenditure Account (see Note 4 Other Operating Expenditure).

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## **GLOSSARY**

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

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **ADDED YEARS**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

### **BALANCE SHEET**

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

### **BORROWING**

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

### **BUDGET**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL CHARGE**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

**CAPITAL RECEIPT**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**COUNCIL TAX**

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

**CREDITOR**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

### **DEBTOR**

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

### **DEFINED BENEFIT PENSION SCHEME**

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

### **DEPRECIATION**

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

### **DISCRETIONARY BENEFITS (PENSIONS)**

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

### **DEDICATED SCHOOLS GRANT (DSG)**

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

### **EARMARKED RESERVE**

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

### **EQUITY**

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

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

### **EXCEPTIONAL ITEMS**

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

### **FAIR VALUE**

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

**FEES AND CHARGES**

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

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

**FINANCE LEASE**

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

**GENERAL FUND SERVICES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HERITAGE ASSETS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

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

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

**INFRASTRUCTURE ASSETS**

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

## **INVENTORIES**

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

## **INTANGIBLE ASSETS**

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

## **NET INTEREST EXPENSE (PENSIONS)**

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

## **INVESTMENTS**

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

## **INVESTMENTS (PENSION FUND)**

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

## **LIABILITY**

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

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

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

## **LIQUID RESOURCES**

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

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

## **LONG-TERM CONTRACT**

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

## **MATERIALITY**

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

## **MAJOR REPAIRS RESERVE**



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

#### **MINIMUM REVENUE PROVISION (MRP)**

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

#### **NET BOOK VALUE**

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

#### **NET DEBT**

The Council's borrowings less cash and liquid resources.

#### **NET EXPENDITURE**

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

#### **NET REALISABLE VALUE**

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

#### **NON-DISTRIBUTED COSTS**

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

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

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

#### **OPERATING LEASE**

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

#### **PAST SERVICE COST (PENSIONS)**

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

#### **PENSION SCHEME LIABILITIES**

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

#### **PRECEPT**

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

#### **PRIOR YEAR ADJUSTMENT**

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

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

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

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

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

### **PROVISION**

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

### **PRUDENCE**

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

### **PRUDENTIAL CODE**

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

### **PWLB**

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

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

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

### **RELATED PARTY TRANSACTIONS**

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

### **RE-MEASUREMENTS**

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

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

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

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

## **RESERVES**

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

## **RESIDUAL VALUE**

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

## **RETIREMENT BENEFITS**

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

## **REVALUATION RESERVE**

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

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

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

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

## **REVENUE SUPPORT GRANT**

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

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

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

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

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

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

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

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#### Slovak

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

#### Kurdish Sorani

#### دی سۆرانی

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

#### Arabic

#### بي

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

#### Urdu

#### و

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

#### Farsi

#### رسی

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