

ROTHERHAM MBC

NARRATIVE REPORT 2024/25

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Background

The Accounts and Audit (England) Regulations 2015 introduced requirements for local authorities to produce and publish a narrative report in respect of each financial year and comment on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The narrative report, which replaces the explanatory foreword in the Statement of Accounts, needs to be published along with the financial statements/Statement of Accounts and the Annual Governance Statement, and has to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This requires that there should be a narrative report to accompany the financial statements and that this should be based on the information contained in the annual Statement of Accounts.

Introduction

This Narrative Report summarises what Rotherham Metropolitan Borough Council (RMBC) spent in 2024/25, how it was spent and what has been achieved in line with the Council's priorities and specific improvement agenda. It provides a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years.

The Narrative Report has been produced by the Council to better inform residents about how and where money is spent by the Council in the context of its work towards strengthening its governance arrangements, improving the value for money of the services it provides and how it demonstrates leadership for local communities.

The Narrative Report sets out the Council's behaviours, values and standards for how it will conduct itself and sets out some of the key governance, operational and financial challenges it continues to face and seeks to address in order to ensure it can operate in an open, accessible and transparent way.

Strategic Context

During 2024/25 the Council has faced some significant financial challenges as a result in the main to rising demand and market costs in relation to social care. Some of these pressures were anticipated when setting the 2024/25 Budget and as such, corporate provisions totalling £6.9m were established as mitigation. Although inflation has been easing, the impact of the Local Government Association (LGA) Pay Award 2024/25 was £3m greater than was assumed within the Budget for 2024/25. Despite these demand and inflationary pressures, a near balanced outturn was achieved with an overall position £0.3m overspend. The core directorates had an overspend of £12.8m partially offset by the planned £6.9m corporate budget risk contingency within Central Services that was approved within the Council's Budget and Council Tax Report 2024/25. Taken with savings delivered from the Council's Treasury Management Strategy, the final underspend in Central Services was £12.5m, which reduced the Council's overall outturn to a £0.3m overspend.

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

- Placement pressures within Children and Young People's Services and Adult Social Care.
- Home to School Transport pressures within Regeneration and Environment and Children and Young People's Services.
- Provider inflation impacting Children and Young People's Services, particularly in relation to payments for Independent Fostering Agencies (IFAs) and external residential placements.
- Increased costs of homelessness due to increased demand and subsequent need to use high-cost placements.
- Pressure across waste management on staffing and vehicle costs, disposal costs and related income.

As a result of these financial pressures the Council's financial outturn for 2024/25 was a £0.3m overspend. This overspend position was funded from the Budget and Financial Strategy Reserve. This reflects that whilst the Council has faced some significant challenges, through robust management and controls and careful financial planning, the Council's overall financial position continues to improve.

Despite the challenges the Council continued to make significant progress in the delivery of key activities as part of the Council Plan. Examples of the outcomes delivered during 2024/25 are included in the update on the Council's Performance Management Framework and Service Plans described below.

Given this challenging start position, in setting the Budget for 2025/26 the Council kept focus on mitigating the impact on residents as far as possible and trying to protect basic services in order to support the community through a cost of living crisis, along with the Council's ambitions for the Borough with specific regard to the environment and social care.

The Governments Autumn Statement and Policy update, along with the Final Financial Settlement, have given the Local Authority sector a much needed boost in terms of the funding package available. The confirmation of £1.3bn additional grant for the sector was much needed, with £0.68bn towards Adult Social Care (£3.8m for RMBC) and £0.7bn to be provided through the new Recovery Grant allocated on a deprivation basis (meaning £8.7m of new un-ringfenced grant for RMBC). Whilst some smaller grants have been removed to support this £1.3bn national uplift, overall the funding package represents a substantial increase in Local Authority funding. This settlement represents the most significant increase in core funding in the last 15 years and the Council will be around £14m better off in 2025/26 than was expected a year ago.

Following approval of the 2024/25 Budget the global economic position has improved with inflation easing, reducing from 11.1% October 2022 at its recent peak back down to 1.7% September 2024. Inflation has since started to rise again as the economy has slowed with inflation back at 2.6% in March 2025 highlighting that the economic uncertainty has not yet ended. The Council's base costs have continued to significantly rise across the period of high inflation and need to be factored into the Budget and MTFS moving forwards. Energy

prices, whilst also positively reducing, are still projected to cost the Council around 60% more in 2025/26 than the outturn position for 2022/23 prior to the significant inflationary increase. These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning.

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

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

As detailed within the Council's Budget and Council Tax Report 2025/26 the financial pressures facing the Council have been mitigated through an increase in fees and charges of 2% for majority of the services and an increase in Council Tax for 2025/26 of 3% both in line with the MTFS assumptions, and through continued planned use of reserves to support the Budget and MTFS.

These proposals and the improved funding position have allowed the Council to approve a balanced budget position for 2025/26 and 2026/27 with a gap of £3.2m in 2027/28 without increasing the use of reserves, allowing those reserves to be held to guard against the significant risk and uncertainty that still exists in the UK economy around inflation, energy prices and more significantly rising demand and market pressures in the provision of social care services.

Whilst the Council's updated Budget and MTFS position proposed the use of £10m of reserves across the period 2024/25 to 2027/28, it should be noted that the Council's projected balance of reserves as at the end of 2027/28 is £6.5m higher than it was expected to be when the Council agreed its Budget for 2024/25. This improvement, given the significant challenges facing Local Authority finances, is testament to the Council's robust financial management and decision making across this period.

Overall Local Authorities must consider their Budget and MTFS amidst ongoing funding uncertainty for the local government sector beyond 2025/26, the Local Government Financial Settlement for 2025/26 was only a one-year allocation making it challenging to plan longer term. The final settlement for 2025/26 was around £14m better than anticipated, however some difficult decisions continue within 2025/26 budget given local pressures and rising demand for services. As such, many Councils will continue to face significant challenges moving forwards funding the costs of social care provision. This is perhaps best illustrated by the volume of Local Authorities across the UK that have recently hit difficult times with a number having to issue S114 notices. Many of these Local Authorities have seen the worrying growth in social care demand and market costs as a key cause of their S114 notice.

About Rotherham

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the South Yorkshire Mayoral

Combined Authority area. There is a steadily growing population which reached a record total of 271,195 in 2023. This is as a result of a natural increase (more births than deaths), net inward migration and increased life expectancy. Rotherham has 166,000 people of working age (61.2%), which is slightly lower than the English average (62.9%).

Rotherham has a proud industrial heritage based on coal and steel but these have declined over recent decades and the Borough has undergone a transition to a more modern economy.

Rotherham is a good place to live, however the cost of living and house prices have increased in recent years. Despite this house prices remain relatively low in Rotherham when compared nationally, there are also affordable housing options available, such as shared ownership, to support first time buyers to settle here. The Council pays employed staff the real living wage and is accredited by the Living Wage Foundation. Rotherham people are very proud of their local parks and country parks, particularly Clifton Park which has received national awards. 89% of respondents who took part in the 2021 Council Plan consultation considered their local parks and green spaces to be very important, particularly for their health and wellbeing.

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

Rotherham has excellent transport links to the rest of the country with easy access to the M1 & M18 motorways, a rail network (including four stations within the Borough) and bus services. There are three airports within 50 miles. Rotherham offers a good quality of life combined with a comparatively low cost of living.

The legacy of previous industrial decline continues to cause issues across Rotherham, which the Council continues to prioritise. Rotherham is ranked the 50th most deprived district in England, mainly as a result of poor health, recorded crime, worklessness and low levels of adult qualifications (this is despite positive performance in terms of attainment in Rotherham's schools).

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

Redevelopment plans for Dinnington High Street and Wath Town Centre have progressed in the year with design work and land assembly underway. The Forge Island scheme has now been completed, while the Council's supported projects at Wentworth, Maltby, Magna and Grimm & Co are all complete. Significant progress has been made against land assembly with the Council taking ownership of a number of major long term vacant and derelict sites in the town centre including 3-7 Corporation St which has been demolished. The Towns & Villages Fund now has all bar two projects complete, with one more on site and a final one, Maltby East scheduled to start later in 2025.

Major progress has been made against Town Deal, Levelling Up and Future High Street Fund projects over the last 12 months that will see over £100m of new investment into the borough with delivery now commencing at a range of sites.

It is vital for the Council to continue to use its Social Value Policy to ensure opportunities for local people, particularly those hardest hit, are maximised as part of these and other significant local investments.

Vision and Priorities

The Council Plan 2022-2025 came into effect from January 2022 and is supported by annual reporting of the Year Ahead Delivery Plan. **The Council Plan** expressed our vision as:

“Rotherham is our home, where we come together as a community, where we seek to draw on our proud history to build a future we can all share.

We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind.

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

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

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

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

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

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

The plan is framed around five themes:

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

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

This is underpinned by a corporate commitment to provide value for money, customer-focused services, make the best use of the resources available to us, be outward looking and work effectively with partners; as part of demonstrating that RMBC is 'a modern, efficient council' in line with the above vision.

Delivering the vision and priorities

The Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money but has to ensure that social care services are delivered within the financial envelope set within its budget. The provision of additional resources as part of the Financial Settlement for 2024/25 and the Council Tax and Adult Social Care Precept increase provides cover for some of the additional costs of adult social care. However, this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association.

The financial context within which the priorities of the Council Plan are to be delivered needs to recognise the austerity measures introduced by the Government in 2010 and the impact of the significant reductions in Government funding that followed. Over this timescale and in response to the funding cuts, the Council had to make significant savings or significantly re-design or scale back service provision. A key priority within the Council Plan, in common with councils across the country, is the delivery of effective social care services, within a sustainable cost envelope and recognising the demand and market factors currently impacting these services.

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

The Council's Medium Term Financial Strategy was approved at Council on 5th March 2025 as part of the Budget and Council Tax Report 2025/26. It provides a three-year outlook of the Council's anticipated resources and budget requirement and sets out the Council's approach to delivering a sustainable budget position up to 2026/27 and a budget gap of £3.252m in 2027/28 which needs to be addressed.

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

Partnership working is recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and helping to strengthen our communities.

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

Working in partnership

The Council is one of a number of organisations - including major public bodies (such as: the Police, Health Agencies and education), local businesses and the voluntary and community sector - working together as “The Rotherham Together Partnership” to deliver improvements for local people and communities by combining their knowhow and resources.

The Partnership works within the framework of the Rotherham Plan 2025, which sets out a framework for its collective efforts to create a Borough that is better for everyone who wants to live, work, invest or visit here. It sets out five key themes that partners will together on until 2025:

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

The Rotherham Plan forms part of a bigger picture, which includes a number of partnership boards and less formal bodies that are developing plans and delivering activity in the Borough.

The Council's Performance Management Framework and Service Plans

In January 2022, the Council adopted a Council Plan for 2022-25, informed by public consultation, as well as a Year Ahead Delivery Plan for the period up to 31 March 2023. A new Year Ahead Delivery Plan for the period to 31 March 2024 was approved by Cabinet in April 2023 and a further new Year Ahead Delivery Plan for the period to 31 March 2025 (the final one for this current Plan) was approved by Cabinet on 29 July 2024.

Formal progress reports are presented in public at Cabinet meetings. For 2024/25 a mid-year report was presented on 20 January 2025 and the final progress report for 2024/25, covering data for quarter four and year-end performance will be presented to Cabinet on 7 July 2025.

To enable the Council to work towards the Council Plan outcomes and achieve the commitments, the Council Plan performance measure targets are reviewed annually, and the Year Ahead Delivery Plan is also updated.

A new Council Plan was developed during 2024/25 and this new Plan will form the focus of our work in future years. The new Plan was approved by Cabinet on 19 May 2025 and by Council on the 21 May 2025. Alongside the new Plan, a Year Ahead Delivery Plan covering the 2025/26 year was approved by Cabinet.

Each year, Directorates produce service plans which demonstrate how they contribute to the delivery of the Year Ahead Delivery Plan / Council Plan and outline wider priorities and responsibilities, which in turn will inform team plans and individual performance and development reviews. The six-monthly Progress Reports to Cabinet include a high-level overview overall and by theme including achievements and challenges, Year Ahead Delivery Plan trackers and performance scorecards. Performance Scorecards provide an analysis of the Council's performance against each of the performance measures with each given equal priority. Performance/progress will continue to be kept under review within Directorates and reported quarterly internally and publicly twice a year.

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

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

Every neighbourhood thriving:

- A wide range of events took place across the Borough including the new "Rotherham" festival. The estimated total audience for all events was 134,546.
- The commencement of the final projects within the Towns and Villages fund which are scheduled to be complete in the early part of the new financial year.
- Rotherham Show took place, welcoming more than 60,000 residents to Clifton Park.
- Waterloo Kiln restoration was completed in October 2024.
- Completion of the repair of 121 unclassified roads as part of the 2024/25 Highways Repair Programme.

People are safe, healthy and live well

- 75% of Care Homes had signed up as Infection Prevention and Control Champions by June 2024. Groundwork started on the new Castle View Day Service building, with completion scheduled for March 2026.
- 17 new homes have been acquired to be used as temporary accommodation and 156 homes in total have been acquired or built in the financial year.
- From Spring 2024 to Easter 2025, the Council used the Household Support Fund to provide £1.586 million pounds worth of food vouchers to pupils eligible for free school meals.

Every child able to fulfil their potential

- The Council is continuing to provide new residential homes, so more looked-after children and young people in Rotherham can stay in the borough and remain safe from harm. Two more new two-bedroom homes were submitted for registration, by Ofsted by the end of March 2025.
- The Children's Capital of Culture was officially launched in December 2024 and will continue throughout the year.

<ul style="list-style-type: none"> The Council launched the new Baby Packs scheme at the end of 2024/25, with 146 registrations for the Packs and 74 Packs delivered in the year.
Expanding economic opportunity
<ul style="list-style-type: none"> Construction of the £47m Forge Island scheme in the Town Centre was completed in the year. The scheme is home to a state-of-the-art cinema which opened in September 2024, a 69 room hotel which opened in July 2024, and six restaurants of which one opened in May 2025 and fitting out for the second is currently underway. The Council's employment support and progression projects continued in 2024/25, with 711 residents supported via the Employment Hub. 128 grants to the value of £856,852 have been provided to help local businesses improve productivity and grow. Work continued on the construction of the redevelopment of the markets complex in the Town Centre and work commenced on the Riverside Gardens scheme. Following agreement of Rotherham's digital inclusion strategy and action plan, support is now available to help people enjoy the benefits of being online, including free sim cards for those on low incomes and with limited internet access and over 3,000 residents have attended community based training sessions.
A cleaner, greener local environment
<ul style="list-style-type: none"> An additional day of mechanical sweeping has been provided to the Borough's main towns outside of the Rotherham Town Centre. Initial design work has been completed on further flood defence schemes including the Parkgate and Rawmarsh scheme and the Culvert Renewal programme. The Sheffield Road Cycleway was completed in the year. Work has continued with regional partners, including South Yorkshire Mayoral Combined Authority (SYMCA), Transport for the North and Network Rail to deliver the Council's Transforming Cities Fund (TCF) programme funded public transport improvements, including the commencement of work on a new Tram-train stop at Magna and the completion of the Parkgate Link Road and Park & Ride Scheme. The Council is also working with SYMCA and Network Rail to finalise the drafting of the Outline Business Case for the new Rotherham Mainline Station.

Financial performance for the year

Included alongside this report is the Council's annual Statement of Accounts. The Statement of Accounts summarises the Council's financial performance during the year ended 31st March 2025 and shows its overall financial position at the end of that period. By law, all local authorities must produce a Statement of Accounts every year. They contain all the financial statements and disclosure notes required by statute and have been prepared in accordance with the Code of Practice on Local Authority Accounting for 2024/25 together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy ('CIPFA').

The key sections included in the Statement of Accounts are:

- Statement of Responsibilities*

This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.

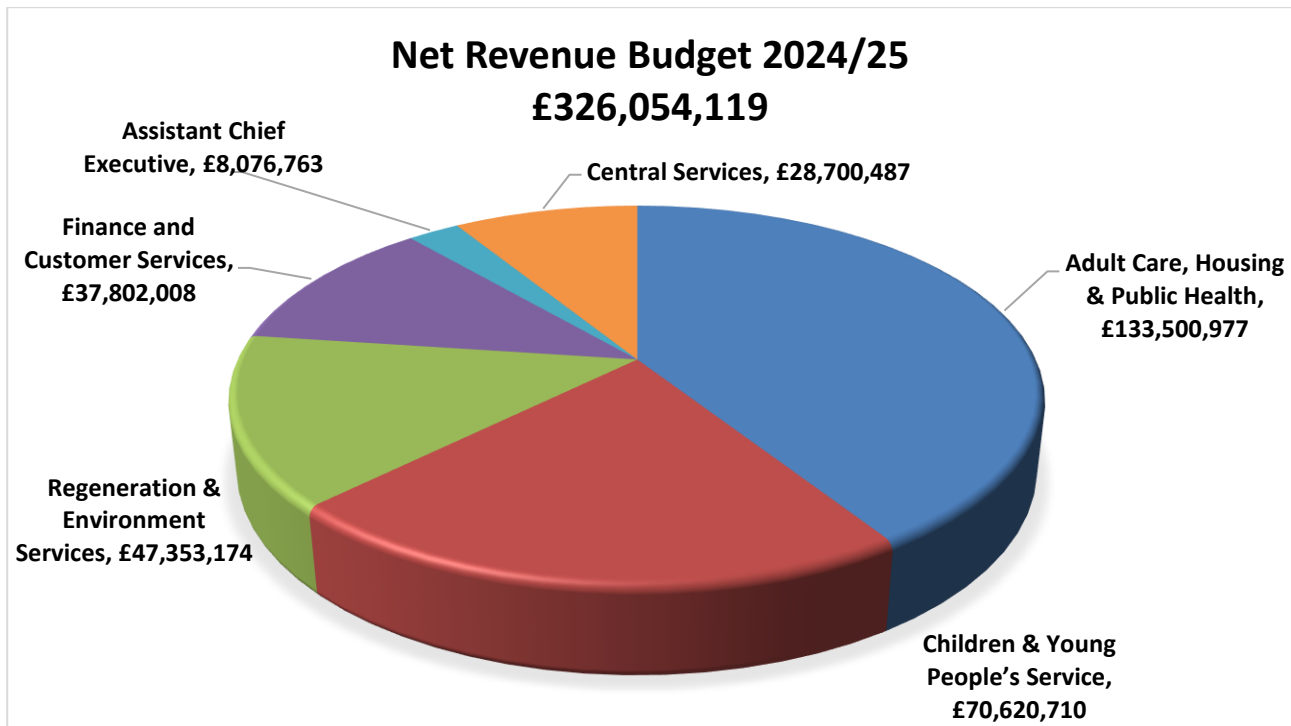
- *Comprehensive Income and Expenditure Statement*
This account summarises the revenue costs of providing all Council services and the income and resources received in financing the expenditure.
- *Movement in Reserves Statement*
This statement shows the movement during the year of the different reserves held by the Council.
- *Balance Sheet*
The Balance Sheet includes information on the Council's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.
- *Cash Flow Statement*
This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.
- *Notes to the Core Financial Statements*
These notes expand on important points shown in the Core Statements and provide further explanation of movements and balances.
- *Housing Revenue Account (HRA)*
This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local Council housing.
- *Collection Fund Statement*
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue and the Police and Crime Commissioner).

Revenue & Capital Expenditure Outturns

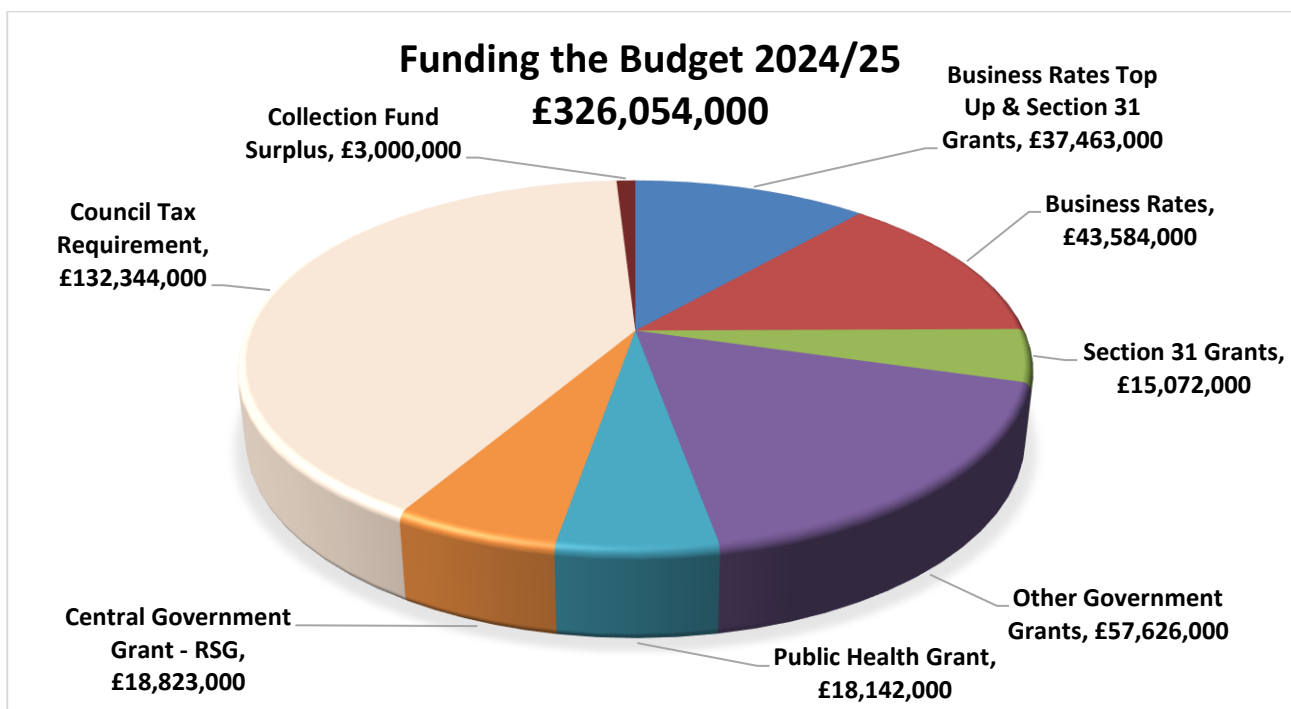
A summary of the Council's revenue and capital outturns for 2024/25 is included in the following paragraphs. Further details are included in the Outturn Report to Cabinet on the 9 June 2025. The agenda and papers for the meetings can be accessed through the Council & Democracy page of the Council's website [Browse meetings - Cabinet - Rotherham Council](#).

Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2024/25 was £326.054m (after taking account of income from specific grants and fees and charges) and was split by Directorate as follows:



The net expenditure was budgeted to be funded by:



Revenue Outturn

General Fund Services

The Revenue Budget 2024/25 was approved by Council on 28th February 2024. A budget of £326.054m was set for General Fund services; this excludes schools' budgets and the Housing Revenue Account (HRA).

The Financial Monitoring position as at outturn reflects an overspend of £0.3m for the financial year 2024/25. The core directorates services had a final overspend of £12.8m. This

was an improvement of £2.8m from the December Financial Monitoring reported to February Cabinet as service areas delivered savings ahead of year-end and improvements in income were recognised. As previously reported, the directorate overspend was partially offset by the £6.9m corporate budget risk contingency within Central Services approved within the Council's Budget and Council Tax Report 2024/25. Taken with savings delivered from the Council's Treasury Management Strategy, the final underspend in Central Services was £12.5m, which reduced the Council's overall outturn to a £0.3m overspend.

The key variances within the outturn position are summarised below;

- Children & Young People Services outturn position at the end of the March was a £5m overspend. The main reason for the overspend relates to children in care placements which had a net financial pressure of £5.7m. The other major variances related to Home to School Transport £0.8m, and Care Leavers allowances £0.1m. The reported outturn is inclusive of approximately £2.8m budget mitigation actions implemented during the year, which includes delay in recruitment, reduction in discretionary spend, and maximising or redirecting the use of grant funding (where there is scope / flexibility to do so).
- Adult Care, Housing and Public Health outturn was an overspend of £6.2m on general fund services. The overspend is in respect of Adult Social Care (ASC). In particular there has been significant spend for care packages, especially for older people and people suffering from poor mental health. Overall ASC has overspent by £6.8m. The overspend in ASC was offset by underspends in both Public Health and Neighbourhoods. The former underspent by £420k as there was slippage in setting up a new contract, while Neighbourhoods underspent by £180k, a £800k overspend on homelessness and temporary accommodation was offset by increased income from furnished homes.
- Regeneration and Environment Services' outturn was an overspend of £3.2m. This position reflects demand and cost pressures of £2.9m in Home to School transport and an overspend of £1.3m in Waste due to covering staff sickness, the impact of an ageing fleet and a lower resale value of recycled materials. To some extent, these pressures were offset by additional capitalisation of staffing costs as the Council continues with its expansive regeneration programme.
- Finance and Customer Services outturn was an underspend of £1.1m. Within this position, Corporate Services had an underspend of £0.7m. There are a number of financial pressures across the services, particularly around Post and Print. However, savings were achieved on Customer, Information and Digital Services and Legal disbursements, and higher income was achieved in Registrars and Bereavement Services. In addition, staff savings were achieved from actions taken around vacancies across a number of services and maximisation of grants. These measures helped to mitigate financial pressures and delivered an underspend. Property and Facilities Services (PFS) was underspent by £0.4m where over-recovery of income in Cleaning and Building Consultancy was offset by overspends in Facilities Management and under-recovery of income in Catering. PFS was overspend by

£1.4m in 2023/24 so 2024/25 position is a significant improvement compared to previous financial year.

- Assistant Chief Executive outturn was an underspend of £0.5m. The underspend at outturn is the consolidated result of all services delivering underspends in year from vacancy management and non-pay controls, despite a number of underlying budget pressures. Income of £89k for the services of the CEX to Nottingham City Council along with salary sacrifice income of £102k and additional grant income of £120k have further enabled the Directorate to deliver a favourable position.
- Central Services delivered an underspend of £12.5m resulting from the £6.9m corporate budget risk contingency approved within the Council's Budget and Council Tax Report 2024/25, along with savings made in year from the Treasury Management function. These savings have arisen as a result of continuing high interest levels and the Councils Treasury Management strategy, which has been to reduce cash balances across 2024/25 to prevent any need to borrow whilst investing remaining available cash in the high interest market.

The improvements in the Council's outturn overall represents a positive direction of travel for the Council's finances and a significant improvement from the £3.2m forecast overspend in December 2024. This prudent financial management will be important in managing future budget pressures given the known volatility in external factors and rising demand pressures that were highlighted in the Budget and Council Tax report 2025/26.

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

- Treasury Management Reserve planned use at the outset of 2024/25 was £4.2m, the final 2024/25 outturn position required use of £3.8m.
- Budget and Financial Strategy Reserve had no initial planned use in 2024/25, however it was recognised that £3.1m might be required to balance the 2024/25 outturn position in the Budget and Council Tax 2025/26 report. In order to address the final outturn overspend position, £0.3m was used, reducing the balance to £13.6m.
- Corporate Grants Reserve balance was increased by £0.6m to £3.1m, as a result of recognition of a number of remaining balances on ringfenced grants.
- As planned the remaining balance on the Covid Recovery Fund has been utilised to provide support for the Council's Energy Crisis Support Scheme.
- The total cost of Local Council Tax Support Top Up scheme was £1.7m funded by £1.3m from Household Support Fund grant and £0.4m from Council Tax Support Grant reserve.

Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £2.357m relating to School Delegated Budgets. This represents the net surplus balances (i.e. unspent

budgets), for all maintained schools including special schools and the Pupil Referral Units (PRUs). These balances are ring-fenced for use by schools to meet education provision. As can be seen below, this represents an increase of £0.93m on the previous year.

2023/24 £m		2024/25 £m
2.264	Unspent Schools' Budgets	2.357

Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £4.33m. The overall underspend relates to increased income of £1.5m on rent and other charges, increased interest receivable £300k and reduced expenditure of £2.6m especially on repairs and maintenance. The increase in income was largely due to a greater stock of properties than expected as more new properties were brought in and fewer were lost as a result of Right to Buy. Expenditure on repairs and maintenance underspent as contract shared savings were received from contractors and new contracts were achieved at better rates. Contract shared savings is a refund from repairs contractors based on the profits they made during the previous year once those have been confirmed and audited.

Reserves

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

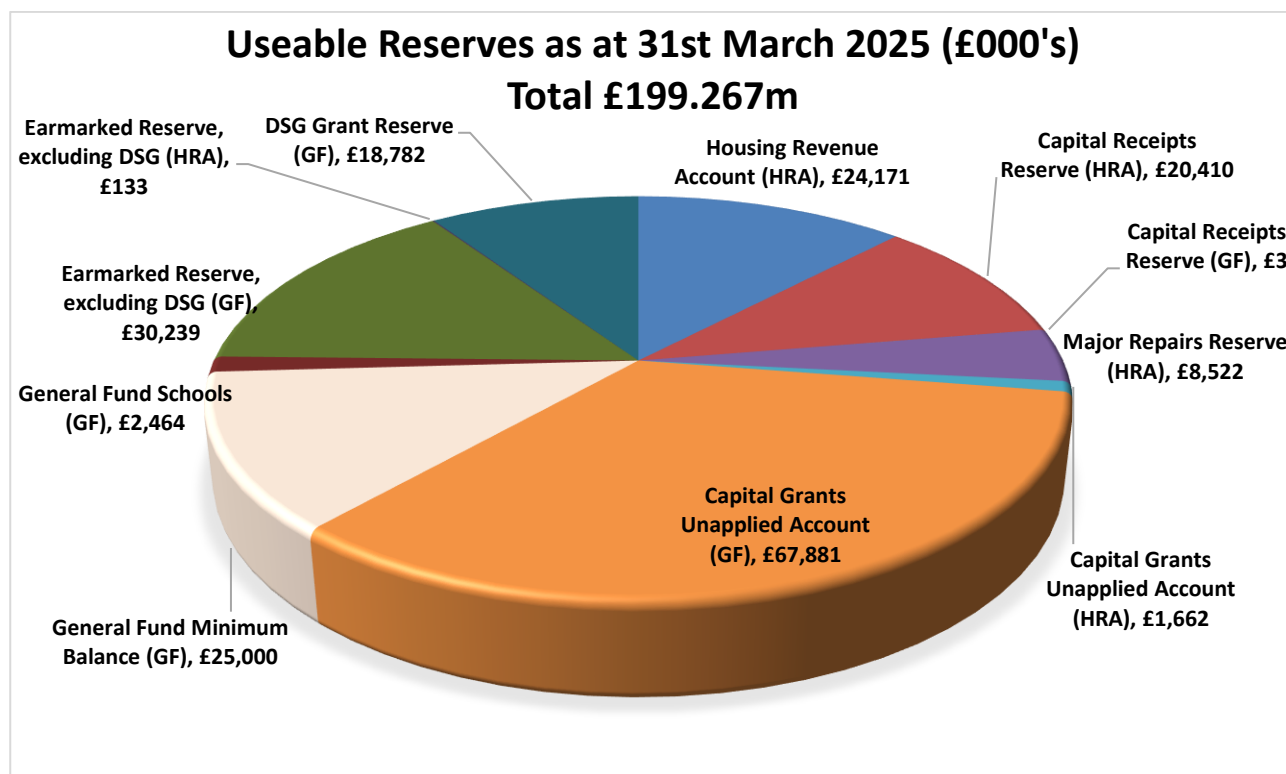
Usable reserves are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt and cannot be used to support revenue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

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

As at 31st March 2025, the Council held £199.267m of usable reserves, General Fund (£144.369m), HRA (£54.898m). Included within this balance are capital reserves of £98.478m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £100.789m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes.

The table below also includes DSG grant reserve of £18.782m, however, it should be noted that this is funding the Council has received through the Safety Valve agreement and it has already been fully committed. Due to the accounting treatment of the DSG reserve balances, the Safety Valve grant is account for a useable reserve, but the deficit reserve is accounted

for as an unusable reserve (£21.258m – Note 37 of the accounts), as such the £18.782m is already fully committed to offset this deficit unusable reserve. It is expected by the completion of the Safety Valve agreement that the Council will have cleared the deficit unusable reserve.



Reserves	General Fund £000's	HRA £000's	Total Reserves £000's
Housing Revenue Account	£0	£24,171	£24,171
Capital Receipts Reserve	£3	£20,410	£20,413
Major Repairs Reserve	£0	£8,522	£8,522
Capital Grants Unapplied Account	£67,881	£1,662	£69,543
General Fund Minimum Balance	£25,000	£0	£25,000
General Fund Schools	£2,464	£0	£2,464
Earmarked Reserve, excluding DSG	£30,239	£133	£30,372
DSG Grant Reserve	£18,782	£0	£18,782
Total Reserves	£144,369	£54,898	£199,267

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

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

Capital Expenditure Overview

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

The outturn on the Capital Programme was £140.590m. The final Capital Programme was £172.418m split between the General Fund £115.135m and HRA £57.283m with underspend and slippage of £31.858m. The programme was ambitious; however, the impact of inflationary pressures and an overloaded construction market has significantly impacted its delivery. This has been seen through restrictions to scheme delivery on contractors and the need to re-think, re-engineer schemes or find new funding solutions when inflationary based cost increases have been forecast.

Total capital expenditure in 2024/25 is analysed by Directorate as follows:

Directorate	2024/25 £m
Children and Young Peoples Services	6.829
Assistant Chief Executive	0.123
Adult Care & Housing	8.414
Finance & Customer Services	7.423
Regeneration & Environment	62.348
Housing Revenue Account	55.453
Total	140.590

The capital expenditure was financed as follows:

Funding Stream	2024/25 £m
Borrowing need	36.352
Major Repairs Allowance (MRA)	26.454
Grants & Other Contributions	56.221
Capital Receipts	15.585
Revenue Contributions To Capital Outlay	5.978
Total	140.590

Major items of capital expenditure incurred are as follows:

Major Capital Expenditure	2024/25 £m
<u>Non Housing</u>	
Rotherham Markets Redevelopment (including Comm Hub)	10.95
Forge Island Community Development	5.5
DfT LTP Carriageway Resurfacing	4.1
2020-2024 Roads Programme £24m	3.89
Water Lane Public Realm	3.71
Waverley Medical Centre	3.12
Wentworth Woodhouse	2.63
Rother Valley Country Park	2.58
T0004 A6178(PT) - Sheffield Rd	2.54
Mainline Station	2.16
Furnished Homes New	1.6
Castle View Day Care Centre	1.59
Dinnington Regeneration	1.46
Centenary Viaduct Strengthening	1.36
Assistive Technology Equipment	1.07
Network Management - Network North Fund	1.05
Waverley School – Phase 2	1.05
<u>Housing Investment Programme</u>	
Sorby Park Waverley Phase 3	3.18
Boiler replacements	2.51
Brecks Lane SA	2.36
Station Road, Wath	1.76
Lodge Lane SA 15 units	1.66
Infirmery Road, Parkgate	1.37
Warden Street	1.17
Catcliffe Flood works	1.17
Beaumont Grange SA	1.07
Total	66.61m

Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31st March 2025 is shown below. Further details of the Council's Treasury Management activities and prudential indicators are included in the Treasury Management Outturn report which will be presented to Cabinet on 7th July 2025. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website [Browse meetings - Cabinet - Rotherham Council](#).

The Council's borrowing levels are summarised below:

As at 31 March 2024 £m	Long Term Borrowing	As at 31 March 2025 £m
390.233	Public Works Loans Board (PWLB)	420.000
217.000	Market (e.g. Banks, Other Local Authorities)	147.000
	Short Term Borrowing	
5.223	Public Works Loan Board (PWLB)	30.232
25.000	Market (e.g. Banks, Other Local Authorities) < 1 year	80.000
	External Investments	
0	Debt Management Office	0
0	Other Local Authorities	0
24.790	Money Market Funds	31.895
612.666	Net Borrowing	645.337

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

Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets the Council would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the Council.

Key Changes in Accounting Policy

The Council's Financial Statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting for 2024/25. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have changes to Accounting Policy for 2024/25 to comply with implementation of IFRS16 as per CIPFA Code of Practice for 2024/25, however, there is a national issue with local authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on

LA accounts. This override has been extended until 1st April 2029. The Council will utilise the override for the 2024/25 accounts but will need to put measures in place for when the override expires.

Financial Outlook, Risks and Opportunities

The Council set a balanced budget position for 2024/25 as part of the Budget and Council Tax Report 2024/25 approved at Council 28th February 2024. The MTFS contained within that report included a balanced position for 2024/25 and a funding gap of £6.3m for 2025/26. The Council could not accurately project further than 2025/26 in terms of the MTFS due to the significant uncertainty that existed in the Local Authority funding environment with another single year settlement for 2024/25 and a pending national election. However, the Budget and MTFS position was set based on sound financial assumptions at the time, factoring in funding for service market pressures within Adult Social Care in particular.

During 2024/25 the Council has continued to see rising pressures due to market inflation, demand and the complexity of care packages increasing. At its peak in 2024/25 the Council's Directorate overspend was £17m, made up of Social Care pressures, Home to School Transport, Homelessness, Waste Management, and the impact of the Local Government Pay Award. Whilst the Council anticipated some of these pressures, with £6.9m of Budget Contingencies and £4m of continued savings in Treasury Management, this still left a pressure of £6.1m. As such the Council has been working hard to reduce this overspend in year through a series of management actions and detailed service reviews to further improve the Council's efficiency and effectiveness across the board.

Despite this challenging environment the Council has continued to set a robust Budget and MTFS and monitor the performance of that Budget effectively. The Council has faced significant challenges in year but has taken swift action to rectify them or set in place clear recovery plans to address those pressures over time. The success of this approach is evident through the Budget and MTFS approved by the Council on 5th March 2025. Whilst there remain challenges to overcome, the Council has a clear plan and has adequate cover in place for risk. The Council has not been required to identify an increased call on reserves across 2025/25 and 2026/27.

Looking ahead to 2025/26, Local Authorities must consider their Budget and MTFS amidst ongoing funding uncertainty for the Local Government sector beyond 2025/26, as the Local Government Financial Settlement for 2025/26 was only a one-year allocation. However, there is real positivity from a funding perspective in the sector following confirmation of £1.3bn additional grant for the sector which was much needed, with £0.68bn towards Adult Social Care (£3.8m for RMBC) and £0.7bn to be provided through the new Recovery Grant allocated on a deprivation basis (meaning £8.7m of new un-ringfenced grant for RMBC). Whilst some smaller grants have been removed to support this £1.3bn uplift, overall, the funding package represents a substantial increase in Local Authority funding. The settlement, one of the most significant increases in the last 15 years, the Council will be around £14m better off in 2025/26, than was expected a year ago. So, whilst Councils continue to face financial challenges, they can do so with a more positive outlook on how Local Authority funding will look for 2026/27 onwards.

The Council still faces cost pressures but is more appropriately prepared to deal with them. As such the Council has considered a package of savings as well as investments as part of the Budget for 2025/26. The aim of the Council remains to be meeting this challenge whilst protecting the services that the Council provides to residents and businesses within the Borough and whilst providing further support to residents to address the cost of living crisis. The Council remains committed to protecting the most vulnerable children and adults and to delivering the improved cost effectiveness of these services.

The Council has endeavoured through the Budget setting process to minimise the impact on residents in terms of both service delivery that they receive but also in terms of the financial impact on residents, for example the Council's fees and charges and Council Tax increases are significantly below the prevailing level of inflation seen during 2024/25. Through the Council's planned use of the Household Support Fund and the Local Council Tax Top Up scheme the Council seeks to further support the most vulnerable residents.

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

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regard to the funding of social care and inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2025/26 and medium term financial strategy.

The Local Authority financial environment still however remains challenging and volatile at present. This is best illustrated by the volume of Local Authorities across the UK that have recently hit difficult times with a number having to issue S114 notices and many stating they are very close to this position without further Government support of legislative changes. Many of these Local Authorities have seen the worrying growth in social care demand and market costs as a key cause of their S114 notice.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a revenue budget of £359m in 2025/26 together with a capital programme of £577.7m (to 2028/29), the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region.

The challenge is to ensure the sustainability of the Council to deliver services and deliver against the Council's stated priorities. This means making carefully considered investment decisions through to 2029 and ensuring that agreed savings are delivered in line with revised timeframes.



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Date 9th June 2025