



# **ROTHERHAM MBC**

**NARRATIVE REPORT 2020/21**

## **Narrative Report 2020/21**

### **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 2020/21, 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 current specific 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 seek to address in order to ensure it can operate in an open, accessible and transparent way.

### **Covid-19**

Following the impact of Covid-19 on all councils functions it was clear that the production of the statement of accounts in line with traditional deadlines was not feasible and as such it was announced that the revised deadline for production of unaudited accounts would be pushed back to 31<sup>st</sup> July 2021, with final accounts due for publication by 30<sup>th</sup> September 2021. The statement of accounts covers the Council's views on the concerns around the potential financial impact of Covid-19, however, what is clear at the time of producing the accounts is that the ultimate medium and long term implications of Covid-19 and the recovery from it remain unclear.

Throughout 2020/21 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's provision of

£18.9m emergency funding to support the COVID-19 response; Sales, Fees and Charges Income Compensation Claims of £4.8m; and use in 2020/21 of £5.2m from the Control Outbreak Management Fund (COMF). These grants have been used to fund new and additional costs that the Council has incurred in its response to Covid-19. These resources have also been used to fund budgeted costs where teams had been diverted away from their normal role to carry out a Covid specific role. Whilst Government have provided specific targeted funding to support many of these financial pressures, the direct net financial impact to the Council of Covid-19, during 2020/21 was £20.4m, this represents the additional costs that the Council has incurred to manage the outbreak, it therefore does not include staff who were re-prioritised onto Covid-19 tasks.

Looking forward to 2021/22, at the point of production of this report, the Council's most recent financial monitoring report (presented to Cabinet 19 July 2021) indicated a financial overspend for the 2021/22 financial year of £5.9m largely as a result of the Covid-19 impacts. 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. This pressure is mitigated in year by governments provision of £8.3m of emergency support funding. At this point it is far too early to fully and accurately estimate the financial impacts of Covid-19 on 2021/22, nor estimate the speed of the longer-term recovery of the Councils finances. However, at the current time the overall financial outturn for 2021/22 is projected to be within overall budget including use of the remaining Covid grant funding.

## **About Rotherham**

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the Sheffield City Region. The Borough has a population of just under 265,000 which is also ageing, with one in four aged over 60 years. The population has become increasingly diverse, with one person in 12 (8.1% in the 2011 Census) belonging to a minority ethnic group (though this remains lower than the national average of around 13%).

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.

Large scale job losses affected Rotherham during the last economic downturn but the employment rate was rising again prior to the Covid-19 pandemic. A little fewer than 100,000 jobs are now based in Rotherham. Prior to the pandemic, 44,000 people travelled to workplaces outside the Borough.

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 five airports within 50 miles, including Robin Hood airport which is less than 20 miles away. Rotherham offers a good quality of life combined with a relatively low cost of living.

Despite a range of positive developments and opportunities 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).

## **Governance**

Cabinet approved on 21 September 2020, the Council's Year Ahead Plan. The purpose of the report was to support residents and businesses in these uncertain times, helping them to build resilience and adapt. The plan would effectively act as the Council Plan for operating within and recovering from the Covid-19 pandemic. It captured the key actions through to May 2021 and provided a basis for the development of a longer-term plan for the borough, it has since been extended up to November 2021.

The following arrangements were put in place to oversee the Year Ahead Plan:

- Executive group – it is proposed that Cabinet would act as the executive group, with strategic oversight of direction of travel and recovery priorities.
- Tactical management group – the tactical group made up of relevant council officers continues to meet as services resume, overseeing business continuity and recovery.
- Year Ahead Plan theme groups – cross-directorate groups will lead on the delivery of each theme. Facilitated by ACEX team, the aim is to utilise existing groups where possible (e.g. economic recovery cell, humanitarian cell), adapting these as required.

## **Vision and Priorities**

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.”

In recognition that Covid-19 has had a fundamental effect on the way the Council works and will continue to affect how the Council operates in the short, medium and long term, the Council Plan was replaced by a Year Ahead Plan during 2020. This stated that the impact of the pandemic will continue to be felt across the borough for a long time, affecting the economy, the community and daily life.

The purpose of the Council's Year Ahead Plan is to support residents and businesses in these uncertain times, helping them to build resilience and adapt. This plan will effectively be the Council Plan for operating within and recovering from the Covid-19 pandemic. It captures the key actions through to November 2021 and provide a basis for the development of a longer-term plan for the borough.

The key aims of the Year Ahead Plan are to:

- Continue to work with our residents and stakeholders, supporting them and adapting with them to meet current needs in light of the pandemic

- Continue to manage the ongoing effects of the pandemic, including the local outbreak control plan
- Continue to drive our ambitious plans for the borough wherever possible
- Continue to develop and embed new ways of working

The plan is based around five themes and two cross-cutting strands;

### 5 Themes

- *Thriving Neighbourhoods*
- *Better Health and Wellbeing*
- *Economic Recovery*
- *New Ways of Working*
- *Hope and Confidence in Rotherham*

### 2 Cross-cutting strands

- Climate Impact
- Equalities and Social Justice

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

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

Despite the impact of the pandemic, the Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money but has to ensure that social care services are delivered within the financial envelope set within this budget. The additional social care resources provided within the Finance Settlement for 2021/22 are welcome, as is the Government statement within the December 2019 Queens' Speech that these additional resources will be delivered across the life of this Parliament, but this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association. There is still therefore, the need for the Council to transform the delivery of social care services in order to maintain effective service provision within the available funding.

Since the introduction of austerity measures in 2010, the Council has made savings in excess of £200m in response to the significant reductions in Central Government funding. This includes savings of £18m still to be delivered which were agreed as part of the two-year budget for 2019/20 and 2020/21 approved by Council in February 2019. Delivery of these savings to the original profile has been significantly impacted by the pandemic. As such the majority of these savings will now be delivered across 2021/22 and 2022/23 financial years.

In responding to the cross-cutting theme within the Year Ahead Plan of "New ways of working", the Council will continue to examine service change and improvement work across

all of its operations. One of the key drivers to this will be the Customer Services and Digital Programme, which consists of a number of business cases and projects including the implementation of underlying technology required by the programme, service redesign and projects to deliver digital solutions and efficiencies across the Council.

Whilst the Council is becoming smaller in size, it is focused on being bigger in influence. This means a changing role for the Council involving stronger civic leadership, greater collaboration with and integrating and sharing services with other public sector organisations.

The Council recognises that it needs to build on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources. This also means the Council needs a clearer focus and prioritisation of resources – in some cases stopping doing some of what it has traditionally done before.

Each Directorate has a delivery agenda that covers its elements of the Year Ahead Plan and is intended to be deliverable within the Medium Term Financial Strategy. A focus on continuous improvement, early intervention, cross-directorate working, implementing good practice and raising standards underpins the Year Ahead Plan and these delivery plans.

Partnership working is also 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 strengthen local communities.

### **Working in partnership**

The Council is one of a number of organisations - including major public bodies (such as: the Police, Health Agencies, education and the Fire and Rescue service), 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: a new perspective, 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 some of the big projects, or “game changers”, that partners will be focusing on until 2025:

- **Building strong communities** where everyone feels connected and able to actively participate, benefitting them and their communities:
- **Raising skills levels and increasing employment** opportunities, removing the barriers to good quality, sustainable employment for local people:
- **Integrating health and social care** to deliver joined up services for our residents that are easy to access:
- Building on the assets that make Rotherham **a place to be proud of: and**

- Creating a vibrant **town centre** where people want to visit, shop and socialise.

Rotherham's Plan 2025 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**

The Council's Performance Management Framework outlines the authority's performance management principles which are:

- *Honesty and Transparency;*
- *Timeliness;*
- *Working together; and*
- *Council-wide responsibility.*

In addition to these principles, the Council's Performance Framework is a critical means by which the Council can make use of performance information to challenge its effectiveness and work to improve services and make them more customer focussed. The Framework is structured around a continuous improvement and performance management cycle and aims to provide an overview of the Council's performance management arrangements at every level of the organisation.

The Framework is a key tool in ensuring that all staff and councillors understand how their individual contributions are critical in enabling the entire organisation to deliver effective services, continuous improvement and value for money for the people of Rotherham.

During the global pandemic through the Year Ahead Plan all Services were able to focus on their priorities throughout the year and maintain the critical 'golden thread' to ensure that the Council is working effectively together, across all services, to achieve its strategic priorities.

The Year Ahead Plan sets out the Council's overall vision and includes outcomes that will demonstrate its delivery. Quarterly reports on Council performance were presented to Cabinet during 2020/21. The Year Ahead Plan was schedule to run until November 2021 and at the end of the final monitoring period for 2020/2021 36% (27) of the activities outlined within the Year Ahead Plan had been completed; 47% (36) were on track; 13% (10) were behind schedule and 4% (3) were off track.

Some of the Council's key achievements in 2020/21 were:

- Delivered a successful initial response to the COVID-19 emergency which included rapidly reshaping services and setting up a Community Hub to support the most vulnerable people in the Borough.
- The Council moved quickly to establish efficient and effective mechanisms to provide Governments grant support local businesses (with processes in place prior to April

1st when the scheme was expected to officially commence) and households. This work continued throughout 2020/21 into 2021/22 with the Council administering the provision £83.7m of business support grants to over 5,000 businesses (many businesses have been able to access support through multiple schemes). The Council continues to deliver business support grants through the remaining live schemes.

- Through the Councils administration of the £500 Test and Trace Support main and discretionary scheme, to date the Council has awarded 1,277 payments to individuals, with a total value of £638k. The scheme is due to end on the 30th September 2021, based on the Government's current timeline. To further support the Contain Strategy, to support and encourage self-isolation where required, Cabinet approved, on 25 January 2021, to introduce a local self-isolation support payment scheme. Providing payments of £250, to individuals required to self-isolate, having lost income as a result but not deemed to be in financial hardship. This scheme has provided a further 349 payments at a cost of £87k.
- In total, 17,875 council tax accounts have received hardship funding during 2020/21 through the Councils administration of the £2.8m, Council Tax Hardship Fund. Around 15,000 council tax support claimants had their council tax bills reduced to zero in 2020/21, either for the whole year or for the period they qualified for Local Council Tax Support. Over 2,000 claimants received the maximum hardship award of £450, leaving them with a much reduce Council Tax bill.
- On the **Forge Island** site, the Arc Cinema has signed a long-term lease with national urban regenerator, Muse Developments, to operate the cinema, and discussions with a hotel are at an advanced stage with construction work expected to begin later in 2021
- A **Towns Fund** bid was submitted to government in January and the Council was awarded £31.6 million to carry out ambitious regeneration projects across the town centre, Eastwood and Templeborough,
- Demolition work has been completed at the Primark site, which is to be transformed into a pocket park as part of the Towns Fund accelerator programme and further funding has been offered from the government's **Future High Streets Fund**.
- Creation of Rotherham's first **specialist education provision** for children with social, emotional and mental health difficulties at the former Dinnington College Campus was approved by Cabinet in December 2020
- **Hope Fields** COVID-19 memorial opened to the public at Thrybergh Country Park on 27 March with a pre-recorded ceremony.

### **Financial performance for the year**

Included alongside this report is the Council's annual **Statement of Accounts**. The Statement of Accounts summarises the Council's financial performance during the year ended 31<sup>st</sup> March 2021 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 2020/21 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:

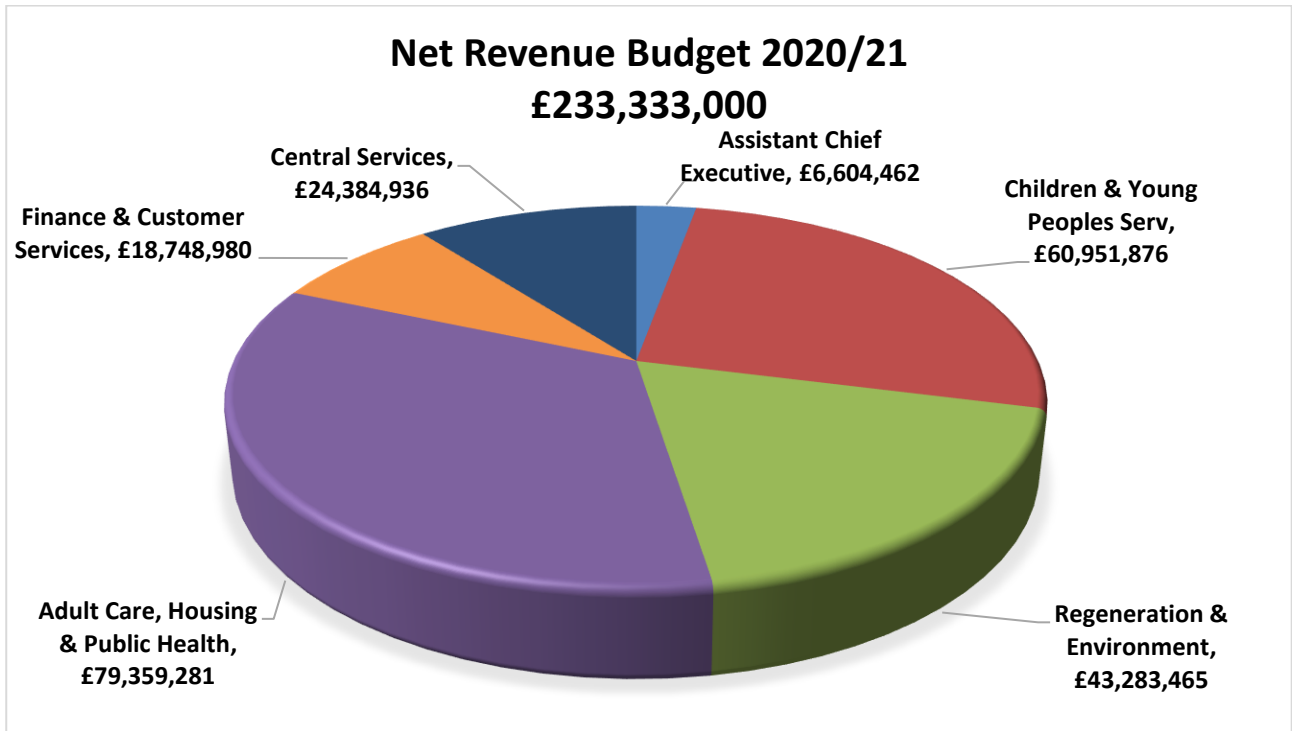
- *Statement of Responsibilities*  
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*  
This account summarises the revenue costs of providing all Council services and the income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

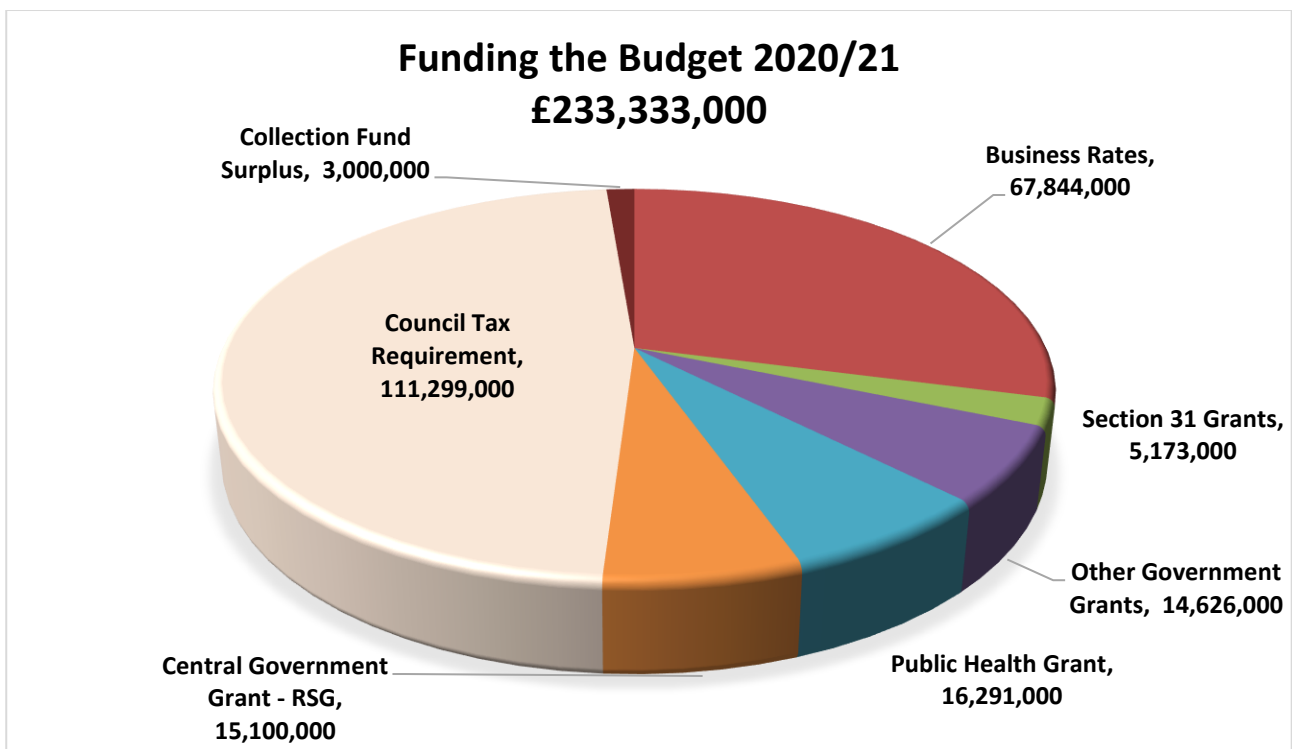
A summary of the Council's revenue and capital outturns for 2020/21 is included in the following paragraphs. Further details have been reported to Cabinet on the 19 July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. ([Financial Outturn Report 2020/21](#))

**Revenue expenditure overview**

Revenue expenditure covers the day-to-day running costs of the Council’s services. The net revenue budget for 2020/21 was £233.333m (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 2020/21 was approved by Council on 26th February 2020. A budget of £233.3m was set for General Fund services; this excludes schools' budgets and Housing Revenue Account (HRA). The Council had a final underspend against budget of £6.1m, following mitigating actions taken to manage the financial impacts of Covid-19. This incorporates the late receipt of £2m of Government support towards costs associated with Operation Stovewood and after a proposed transfer of £2m to create a new Children and Young Peoples Services Social Care Reserve. The mitigating actions included the application of Government's provision of £18.9m emergency funding to support the COVID-19 response and cost implications of this, the submission of compensation claims totalling £4.8m relating to the adverse impact of Covid on Sales, Fees and Charges income and the use in 2020/21 of £5.2m from the Control Outbreak Management Fund (COMF). Without the provision of these grant funding streams the Council's financial outturn would have been a £22.8m overspend.

Significant uncertainty remains about the financial consequences of the pandemic, potential restrictions, further in-year pressures on the Council's budget and government funding.

The resulting £6.1m underspend has been transferred to the Council's reserves, from this, an allocation of £2m will be earmarked for a Covid Recovery Fund, to take proactive steps in order to support local residents as we emerge from the pandemic. A further £2.4m will be earmarked to support the budget gap within the Council's Medium Term Financial Strategy (MTFS) for 2022/23, as reported to Council within the Council's Budget and Council Tax Report 2021/22. This £4.4m will be held within the Council's Budget Strategy Reserve, with the remaining £1.7m held within the Council's Budget Contingency Reserve, as per the approved strategy and recommendations within the Council's Budget and Council Tax Report 2021/22.

The key variances within the outturn position are summarised below;

- Children & Young People Services continue to implement the budget recovery plan with budget savings of £10.2m across the 2020/21 to 2022/23 financial years. The outturn position at the end of March 2021 was a £5.5m overspend, largely as a result of additional pressure from the use of agency social workers, and additional placement pressures across Residential placements, Emergency placements, and Foster placements. Placement spend has been impacted by COVID and the inability to find appropriate placements to meet children's needs.
- Adult Care, Housing and Public Health services overspent due to Covid pressures, £0.3m net. This includes: £1.8m of support to the independent sector provider market (e.g. Care Homes) via grants and alternative payment arrangements (e.g. paying home care providers based on planned hours); expenditure on PPE of £936k; and a net additional cost of funding Covid related care and supporting the new hospital discharge pathway of £2.7m (net overall pressures of £5.5m). These pressures have been offset by a reduction in non-Covid related placement costs (£5.9m). These mainly relate to older people as the number in receipt of care has reduced. Some

Covid related placements will be ongoing and will become part of the non-Covid Adult Care budget in 2021/22

- Regeneration and Environment Services outturn was an overspend of £7.9m. The outturn position reflects the significant impact that lockdown restrictions have had on income generation and the cost pressures that have arisen as a result of social distancing requirements and other Covid linked measures that have been required to be put in place. Progress on delivering outstanding revenue budget savings within the Directorate has been affected by the Council's pandemic response.
- A £0.3m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates, predominantly due to reduced demand on legal services, and ICT contracts;
- In presenting the final outturn position, the Covid-19 support grants, £28.9m, that had previously been reported separately to the Directorate outturns, have now been included within Central Services. This is to reflect the outturn position as per the Council's financial accounts, as these grants have to be charged to a service. Taking these grants into Central Services means the net outturn position for Central Services was a £19.5m underspend.
- Within Central Services, savings were delivered from a range of activities within the treasury management strategy (£3.1m), including effective cash flow planning and monitoring, along with management of the loans portfolio to take advantage of the continuing low cost of short-term funds. These activities, together with a number of general efficiencies on centrally managed budgets delivered savings of £3.5m as at the year end. In addition, the planned use of a £4m budget contingency was not required during 2020/21. This £7.5m has been taken into the Budget Strategy 2021/22 reserve as per approval outlined within the Budget and Council Tax Report 2021/22.

### Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £3.181m relating to School Delegated Budgets. As can be seen below, this represents an increase of £0.657m on the previous year.

2019/20 £m		2020/21 £m
2.524	Unspent Schools' Budgets	3.181

### Housing Revenue Account Income and Expenditure Account

For 2020/21, the Income and Expenditure Account shows a surplus on the provision of HRA services of £10.644m. This is adjusted for items which are charged to the HRA under normal accounting practice but which are disregarded in determining the amount to be met by rent payers. These adjustments amounted to £17.160m and led to an overall deficit of £6.517m

for 2020/21 which is principally due to an increase in the revenue funding of capital costs resulting from an increased capital programme offset by a decrease in the provision for bad debts and an increase in income.

The balance on the HRA at the end of 2020/21 was £10.599m. Under self-financing, all the risks of managing housing rest with the Council. This means that the Council needs to maintain a higher level of HRA reserves in order to fund all expenditure relating to the management and maintenance of housing stock and mitigate any potential risks the Council now faces. These risks include the costs of impairment/revaluation of non-dwellings which is a real charge to the HRA and welfare reform which brings additional risk of lower income collection and increased costs of collection.

## **Reserves**

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

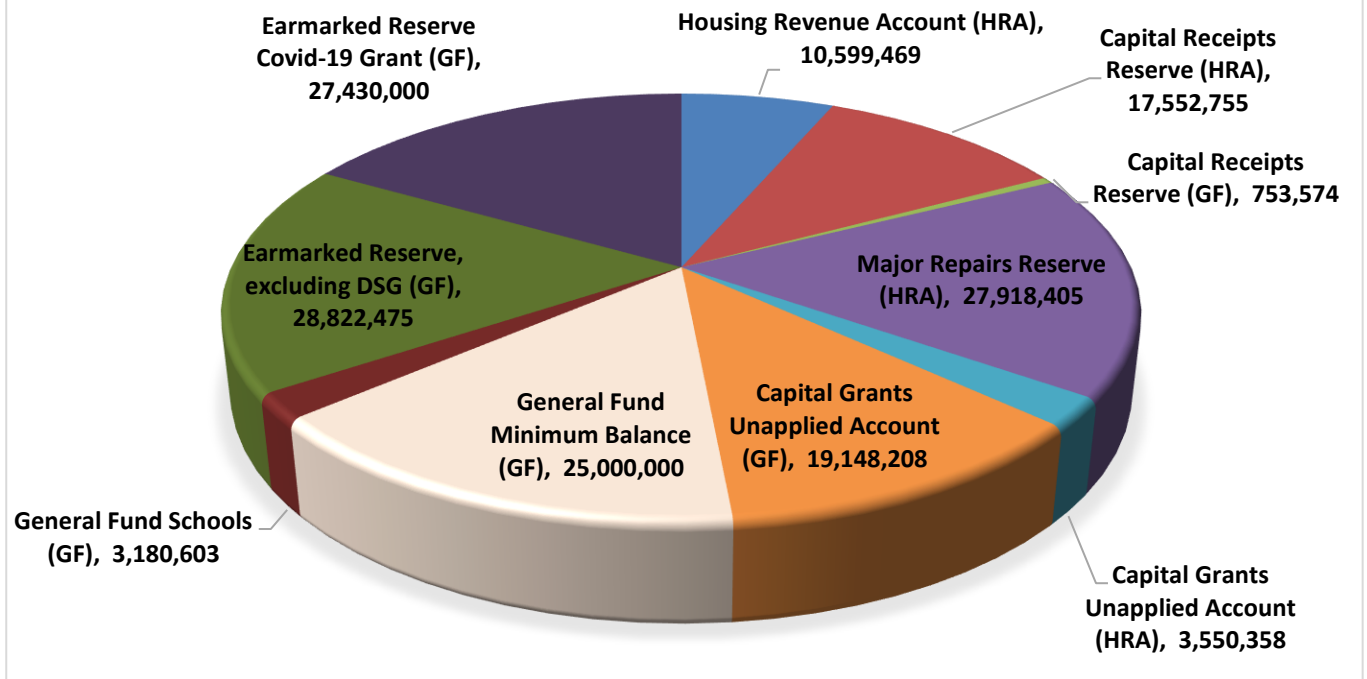
*Usable reserves* are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support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

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

As at 31<sup>st</sup> March 2021, the Council held £163.956m of usable reserves, General Fund (£104.335m) and HRA (£59.621m), (but excluding Dedicated Schools Grant). Included within this balance are capital reserves of £68.923m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. There is currently a deficit balance on the Dedicated Schools Grant (£21.2m), which in accordance with Government policy, can be carried forward, with the deficit to be addressed in future years. The Children and Young People's Service has developed a recovery plan to clear the deficit over the next few years. The plan is subject to Government approval.

This leaves £95.033m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes. This balance also includes £27.430m of emergency Covid-19 funding.

### Useable Reserves as at 31st March 2021 £163.956m (Excluding Dedicated Schools' Grant)



Reserves	General Fund	HRA	Total Reserves
Housing Revenue Account	£0	£10,599,469	<b>£10,599,469</b>
Capital Receipts Reserve	£753,574	£17,552,755	<b>£18,306,329</b>
Major Repairs Reserve	£0	£27,918,405	<b>£27,918,405</b>
Capital Grants Unapplied Account	£19,148,208	£3,550,358	<b>£22,698,566</b>
General Fund Minimum Balance	£25,000,000	£0	<b>£25,000,000</b>
General Fund Schools	£3,180,603	£0	<b>£3,180,603</b>
Earmarked Reserve, excluding DSG	£28,822,475	£0	<b>£28,822,475</b>
Earmarked Reserve Covid-19 Grant	£27,430,000	£0	<b>£27,430,000</b>
<b>Total Reserves</b>	<b>£104,334,859</b>	<b>£59,620,987</b>	<b>£163,955,846</b>

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

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

#### Capital Expenditure Overview

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

Total capital expenditure in 2020/21 amounted to £80.644m and is analysed by Directorate as follows:

<b>Directorate</b>	<b>2020/21 £m</b>
Children and Young Peoples Services	10.710
Assistant Chief Executive	0.243
Adult Care & Housing	2.515
Finance & Customer Services	5.325
Regeneration & Environment	26.601
Housing Revenue Account	35.250
<b>Total</b>	<b>80.644</b>

The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2020/21 £m</b>
Borrowing need	16.150
Major Repairs Allowance (MRA)	9.369
Grants & Other Contributions	30.857
Capital Receipts	10.703
Internal Funds (e.g. Reserves, etc)	13.565
<b>Total</b>	<b>80.644</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2020/21 £m</b>
<u>Non Housing:</u>	
Waverley New Primary School	3.103
Beighton Link Project Growth Fund	5.204
Carriageway Resurfacing	3.212
Pothole Grant	1.649
Unclassified Roads	3.443
Parkway widening	3.457
College Road	2.728
<u>Housing Investment Programme:</u>	
Physically Handicapped Conversions / Improvements (Public)	2.826
Voids Programme	2.796
Refurbishment of Council Stock	10.164
Physically Handicapped Adaptations (Private)	2.143
Site Clusters	14.116
New Build Provision - Bellows Road	4.373
New Build Provision - Rothwell Grange	2.572

## Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> March 2021 is shown below. Further details of the Council's Treasury Management activities and prudential indicators were reported to the Cabinet Meeting on the 19<sup>th</sup> July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. ([Treasury Management Annual Report 2020-21](#))

The Council's borrowing levels are summarised below:

<b>As At 31 March 2020 £m</b>	<b>Long Term Borrowing</b>	<b>As At 31 March 2021 £m</b>
184.389	Public Works Loans Board (PWLB)	172.069
213.000	Market (e.g. Banks, Other Local Authorities)	213.000
239.000	<b>Short Term Borrowing</b> Temporary Borrowing	302.500
(0.000)	<b>External Investments</b> Debt Management Office	(0.000)
(39.675)	Money Market Funds	(47.830)
<b>596.714</b>	<b>Net Borrowing</b>	<b>639.739</b>

## 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 of 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 2020/21. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been no Accounting Policy changes for 2020/21, however it should be noted that under the Accounts and Audit Regulations 2015, since 2017/18 local authorities are required to publish their unaudited accounts by 31<sup>st</sup> May, however due to Covid-19 implications and the results of the Redmond Review (a report on External Audits of Public Sector accounts) the deadline for publication of unaudited accounts has been pushed back to 31<sup>st</sup> July 2021.



## **Risks and Opportunities**

The two-year budget for 2019/20 and 2020/21 set at Council in February 2019 and reviewed during 2020/21 required £34m of budget savings and cost reductions to be delivered to meet estimated funding gaps over the two years, including savings that had been agreed in previous years for delivery across this timescale. Delivery of over £16m of these savings and cost reductions have been completed by the end of the 2020/21. However, whilst recognising the COVID impact on savings delivery, as noted above, it is still anticipated that the remaining agreed savings and cost reductions, £18m, can be delivered as planned, but over a longer timescale, with most, but not quite all, of them being delivered by 2022/23. It is expected that of the remaining savings and cost reductions to be delivered, £12.5m will be outstanding at the end of 2021/22, reducing to £4.5m by the end of 2022/23. This updated profile is incorporated into the updated MTFS for 2022/23.

Delivery of these agreed budget savings presents a significant financial challenge for the Council, having regard to the current spending levels in social care services, which are not sustainable. It is essential that the cost reductions and budget savings now agreed are delivered and delivered within the timescales set within the MTFS. The Council's MTFS to 2022/23 will be kept under review and updated as necessary following the release of future local authority funding information from the Government through the Spending Review in the Autumn 2021.

A proportion of the budget options for 2021/22 require a significant shift in the way some services are currently delivered. Plans are in place to ensure that delivery of savings is managed and monitored, with updates on progress against the agreed savings provided to Cabinet as part of the Councils Financial Monitoring reports.

The cross-cutting theme, "to be a modern and efficient Council", also remains valid and applies to all service change and improvement work across the Council. The Customer Services and Digital Programme is one of the key drivers of this theme alongside the specific work being carried out in the Social Care Services.

Covid-19 will continue to add further complexity to the picture due to the significant challenges it presents, not just from additional costs and lost income but from the movement of staff away from the delivery of day to day services and savings delivery. Significant uncertainty remains about the financial consequences of the pandemic, potential restrictions, further in-year pressures on the Council's budget and government funding. In addition the longer term financial implications of the pandemic remain unclear. It is likely that Covid-19 will impact the planned delivery of savings in 2021/22 that will ultimately impact 2022/23 as it will create a greater delivery challenge in that year.

## **Financial Outlook**

The ongoing financial challenges faced by the Council are similar to those of other local authorities, these being: reductions in Government funding (the Council has been required to reduce its budget by over £200m to mitigate reductions in Government funding for the 10 years prior to 2020/21), increased demand for social care services as a result of a growing population and the impact of inflation. This budget challenge means that the Council must be responsible in its budget setting approach: giving precedence to investment and savings

proposals that best contribute to the Council's priorities and the needs of Rotherham's residents, and that ensure that best value is demonstrated across the breadth of Council services. The Council also faces uncertainty over the medium term as Government have only provided a financial settlement for 2021/22.

The Council's budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. Residents are living longer, but with more long term health conditions and the numbers of Looked After Children, is stretching already squeezed health and social care budgets

The Council continues to change the way in which it works with other agencies in order to implement these changes. Despite the unprecedented financial pressures, the Council will continue to focus on delivering better services, focussed on the priorities set by the public.

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

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care, the Council faces these challenges from a sound financial footing, with a robust budget for 2021/22 and medium term financial strategy.

The benefits of this new and improved financial reporting environment have been demonstrated clearly through the Council's management of the financial impact of Covid-19. The Council, like all authorities across the country, faced significant financial challenges, from additional Covid related costs, lost income and delays to planned savings, impacting on the Council's ability to manage its budget position for 2020/21.

However, the Council was able to quickly mobilise financial resources to manage these pressures, establishing monitoring tools to track, report and control Covid-19 related pressures, gaining an understanding of emergency Covid-19 funding and the wide variety of new Covid specific grant streams so that they could be effectively deployed. In particular, the Council was able to successfully deliver in excess of £85m of vital business support grants to over 5,000 local businesses, £2.8m of Council Tax relief to over 15,000 households through Government's Hardship Grant and £0.8m Test and Trace payments to over 1,500 individuals required to self-isolate. Further, through the redeployment of staff during the pandemic to the critical services required to manage the Council's response, significant additional costs of agency workers have been prevented.

The Council has updated its Medium Term Financial Strategy and made budget proposals for 2021/22 financial year. The Council set a balanced budget for 2021/22 in the Council's Budget and Council Tax Report 2021/22, approved by Council, 3 March 2021.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £236m in 2021/22 together with capital expenditure of £205m, 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 2024 and ensuring that agreed savings are delivered in line with revised timeframes. The updated Capital Programme includes a total of £416m of planned capital investment across the current year and up to 2023/24.

Covid-19 has generated a significant amount of uncertainty in both national and local context and the financial challenges it presents remain are complex to project forward within any certainty. The national recovery from the pandemic is underway but the financial impacts of Covid-19 will place a burden on the Council for some time to come. The Council will continue to work closely with government to report on the financial implications of Covid-19 to help ensure that the emergency funding support provided is adequate to mitigate the impact on the Council's financial position.



**Judith Badger CPFA**

Strategic Director of Finance and Customer Services  
Finance and Customer Services Directorate  
Riverside House  
Main Street  
Rotherham  
S60 1AE

Date 30 November 2021