

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2008/09

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

Certificate

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 30 September 2009.

Signed on behalf of Rotherham MBC



Date..... 30.9.09

Audit Committee Chair

The Strategic Director of Finance's Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Council's Statement of Accounts, consistent with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (ACOP).

In preparing this Statement of Accounts, the Strategic Director of Finance has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice.

The Strategic Director of Finance has also:

- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic Director of Finance's Certificate

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year then ended.

Signed..... 
A A Bedford, BA(Hons), CPFA

Date..... 30/9/09

FOREWORD BY THE STRATEGIC DIRECTOR OF FINANCE

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2009 and shows its overall financial position at the end of that period.

The Statement (except if otherwise stated) is prepared in accordance with the Accounting Codes of Practice, and the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority are set out in the section of this report headed 'Statement of Accounting Concepts and Policies' (Page 13). Specifically, the Council's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Authority and its chief financial officer for the accounts
- **An explanatory foreword** (Page 2) – which details the most significant matters reported in the accounts
- **A Statement of Accounting Concepts and Policies** (Page 13) – which details the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements
- **The accounting statements and related disclosure notes** – which are explained in Section 2 of this Foreword

2 The Accounting Statements

The Authority's accounting statements comprise:

- The 'core' financial statements grouped together
- The supplementary single entity financial statements that are relevant to the function of the Authority
- The Group Accounts

The core financial statements comprise the following accounting statements which are grouped together with their relevant disclosure notes, which follow thereafter:

Income and Expenditure (IE) Account (Page 27) - this Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last financial year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance (Page 28) - the IE Account shows the actual financial performance for the financial year. However the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the government is recorded as a cost in the IE Account, but is in reality met from usable capital receipts rather than the council tax
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned

The General Fund Balance compares the Council's spending against the council tax raised for that year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the IE Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses (STRGL) (Page 28) – this Statement brings together all the gains and losses of the Council for the year and shows the aggregate of its net worth.

The Balance Sheet (Page 29) – this Statement shows the Council's overall financial position as at 31 March 2008 in terms of its assets and liabilities.

The Cash Flow Statement (Page 31) – this Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The supplementary accounting statements comprise the following statements and are relevant to the Authority's functions:

- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 89) – this Account summarises the IE in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 95) – by statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.
- **Metropolitan Debt Administration** (Page 98) – under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at a pool rate with which to charge the four district councils and joint boards within the South Yorkshire area.

- **Group Accounts** (Page 101)

For a variety of reasons local authorities often choose to conduct their activities through other organisations under the ultimate control of the parent undertaking (known as a group). For this reason the financial statements of the reporting authority by itself do not present a full picture of its economic or financial activities. Group financial statements are therefore required in order to reflect the extended service delivery and full economic implications of the Authority's involvement with these undertakings.

The Council has considered its group accounts position in the light of the SORP requirements and prepared Group Accounts by consolidating the financial activities of those organisations considered to form part of the group with those of the Council. The Group Accounts comprise:

- Group Income and Expenditure Account (Page 101)
- Group Statement of Total Recognised Gains and Losses (Page 102)
- Group Balance Sheet (Page 103)
- Group Cash Flow Statement (Page 105)

2.1 General Fund Services

For 2008/09 Rotherham Metropolitan Borough Council set a Revenue Budget of £210.376m before the budgeted Private Finance Initiative grant of £6.223m and support through use of balances of £2.400m.

The actual outturn of £212.309m (before PFI grant of £6.223m) meant the Council made a net call of £1.933m on general balances. The overall position is summarised below:

2007/08				2008/09		
Original Estimate £m	Actual £m	Variance £m		Original Estimate £m	Actual £m	Variance £m
196.431	191.921	-4.510	Total Net Expenditure	210.376	212.309	-1.933
-3.000	1.510	4.510	Contributions to (+)/from (-) Balances	-2.400	-4.333	1.933
193.431	193.431	0.000	Spending	207.976	207.976	0.000
1.891	1.891	0.000	Add Parish Council Precepts	2.003	2.003	0.000
193.322	195.322	0.000	Total	209.979	209.979	0.000
			Funded by:			
14.699	14.699	0.000	Revenue Support Grant	13.948	13.948	0.000
87.586	87.586	0.000	Share of NNDR Pool	100.198	100.198	0.000
6.223	6.223	0.000	PFI Grant	6.223	6.223	0.000
86.814	86.814	0.000	Receipts from Collection Fund	89.610	89.610	0.000
195.322	195.322	0.000	Total	209.979	209.979	0.000

During the financial year, the Council's Revenue Budget was continuously monitored, with regular reports presented to Members and senior management. Where necessary appropriate action was taken to ensure that as far as possible the Council achieved a balanced outturn.

Overall net expenditure for the year was £1.933m above the approved Budget and the principal reasons for this variation were as follows:

- A decrease in schools delegated balances (£2.451m)
- Savings against Directorate's cash-limited budgets: Environment and Development Services (£0.055m) and Chief Executive (£0.074m), whilst the Children and Young People's Service overspent (£0.035m) and Neighbourhoods and Adults Services overspent (£0.220m)
- Savings through Treasury Management activities (£0.801m)

The Council adopts a system of cash-limited budgeting for each Service. Subject to consideration by the Cabinet, and in accordance with the Council's approved scheme for the carry forward of year-end balances, certain under or over-spent balances are carried forward into the following financial year as a supplement to, or reduction of, that year's budget.

Within Council balances at 31 March 2009, there is a sum of £5.526m relating to School Delegated Budget arrangements as follows:

2007/08 £m		2008/09 £m
0.739	Schools' Declared Savings	0.613
7.364	Unspent Schools' Budgets	4.913
8.103	Total	5.526

2.2 Housing Revenue Account Income and Expenditure Account

For 2008/09, the Income and Expenditure Account reflects an accounting deficit on HRA services of £152.496m, prior to adjustments to equate this to the actual HRA deficit for the year of £0.287m. The difference is due principally to the Depreciation and Impairment calculations which are required to be shown in the HRA Income & Expenditure Account but then adjusted for in determining the actual deficit needing to be funded by HRA balances. The sum of £152.209m has been credited to the HRA Statement of Movement on HRA Balance to give the overall reduction in the HRA balance of £0.287m.

The £152.209m net credit in the Statement of Movement on the HRA Balance comprises adjustments for the following: Gain/loss on sale of Fixed assets, capital expenditure funded directly from revenue, an adjustment for depreciation being greater than the Major Repairs Allowance received in the year and writing-out the value of deferred charges (capital expenditure which does not create a tangible asset).

The principal reasons for the overall reduction in the HRA balance were:

- Increase in Negative Subsidy payable (£2.414m) due to the change in the Consolidated Rate of Interest partially offset by a reduction in interest payable (£1.952m) resulting in a net position of £0.462m
- An increase in rental income was offset by rental losses including Void properties resulting in a net deficit of £0.105m.
- Reduced interest receivable (£0.206m).

- The Management Fee to the ALMO (2010 Rotherham Ltd) was increased by £0.106m to fund additional pension costs in line with the Management Agreement (£0.078m) and Sheltered Charges (£0.028m).

These additional cost pressures were partially offset by:

- Supervision and Management costs are less than anticipated (£0.342m). A contributing factor is lower administration costs due to the reduction in the number of Right To Buy Sales.
- Lower than expected bad debt provision for both rent arrears and tenants rechargeable repairs (£0.273m).

2.3 Trading Services

The Authority's Trading Services generated a net surplus of £1.052m in 2008/09 having adjusted for the adoption of FRS 17. As outlined in the Best Value Accounting Code of Practice (BVACOP), trading accounts now fall into two categories:

- those which trade substantially with the public and whose activities are reflected in the revenue budget/outturn of the relevant service;
- those which operate, in financial terms, outside service budgets.

Any net surplus or deficit on category (ii) trading accounts (above) is accounted for as part of the General Fund and is shown separately in the Income and Expenditure Account. A section on Trading Services (Page 35) is included later within this Statement of Accounts.

3 Capital Spend and Borrowing in 2008/09

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 2008/09 amounted to £177.483m and comprised the following:

	2008/09 £m
Children & Young People Services	24.525
Neighbourhoods	
- Housing Investment Programme Element	70.868
- General Fund Element	10.643
Adult Social Services	8.688
Environment & Development Services	28.936
Culture and Leisure	13.612
Financial Services	20.211
Total	177.483

(b) Financing of this expenditure is analysed below:

	2008/09 £m
Loans	104.591
Major Repairs Allowance (MRA)	12.915
Grants & Other Contributions	55.257
Capital Receipts	3.120
Internal Funds (e.g. Reserves, etc)	1.600
Total	177.483

(c) Major items of capital expenditure incurred during 2008/09 are as follows:

	2008/09 £m
<u>Non Housing</u>	
Leisure Facilities	5.730
Clifton Park Urban Restoration	2.328
Flood Alleviation Scheme	2.084
Dinnington Business Centre	2.979
Westgate Demonstrator Project (Various Sites)	2.395
Maltby Joint Service Centre	3.972
Catcliffe Interchange	2.765
West Bawtry Road / Whiston Cross Roads	3.180
Anston Brook Junior School	1.237
Aston Fence Junior and Infant School	1.367
Herringthorpe Junior School	4.582
Canklow Woods Primary School	3.397
Thorpe Hesley Infants School	1.186
Aston Comprehensive School	1.603
Swinton Brookfield Children's Centre	1.025
ICT Strategy	3.382
Adult Modernisation Strategy	8.068
<u>Housing Investment Programme</u>	
Disabled Adaptations – Public Sector	1.568
Sheltered Housing Modifications	1.192
Replacement of Boilers Containing Asbestos	1.340
Decent Homes	63.714
Disabled Adaptations – Private Sector	1.332
Housing Pathfinder Projects	6.864

(d) The Council's borrowing activities based upon principal amounts during 2008/09 are summarised as follows:

2007/08 £m		2008/09 £m
276.346	Balance as at 1 April	381.346
	Plus:	
105.000	New long-term borrowing	70.000
	Less:	
0.000	Long-term borrowing repaid	-35.050
0.000	Re-classified as temporary borrowing (repayable in the following financial year)	0.000
381.346	Balance as at 31 March	416.296

The Council's operational boundary for external debt for the year was £595.150m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £640.150m.

Temporary Borrowing

2007/08 £m		2008/09 £m
0.005	Balance as at 1 April	0.000
260.775	Plus:	180.707
0.000	New temporary borrowing	0.000
	Re-classified from long-term borrowing	
260.780		180.707
-260.780	Less:	180.707
0.000	Repayments in the year	0.000
	Repayment of prior year's reclassified long-term borrowing	
-260.780		180.707
0.000	Balance as at 31 March	0.000

4 Housing Major Repairs Allowance (MRA)

The Major Repairs Allowance (MRA) is an element of subsidy which represents the estimated capital cost of keeping the Council's housing stock in its current condition.

MRA resources can be used by councils for any capital expenditure on HRA assets, but there is an expectation that they will be used in accordance with the Council's HRA Business Plan. Accordingly, in Rotherham, MRA will be used to help deal with the backlog of major repairs, to support the "Decent Homes" policy and to progress estate-based regeneration. Flexibility exists to spend MRA resources outside the financial year in which they are allocated, thus enabling more efficient planning of future works.

In 2008/09, Rotherham MBC received £13.235m in MRA, which was added to the Nil balance brought forward from 2007/08. MRA resources of £12.915m were utilised in 2008/09 and £0.32m Major Repairs Allowance earmarked for continuing investment in non traditional properties was carried forward into 2009/10 within the Major Repairs Reserve (MRR).

5 RBT (Connect) Ltd

On 17 April 2003 the Authority signed a strategic partnership with BT plc, forming a company, RBT (Connect) Limited. The aim of this 12-year partnership is central to the Authority's efforts to improve the quality of service delivery to the public. Over the life of the 12-year contract the Council service charge is approximately £220m.

6 Private Finance Initiatives

The Authority has entered into two long term PFI contracts – one for 15 schools and the other for the provision of leisure facilities and a joint service centre. A further joint Waste Management PFI is being negotiated with Barnsley and Doncaster Councils. In addition, the Council has entered into a Bereavement

Services Partnership with Dignity Funerals Limited. This became operational on 1 August 2008. Further details of contracts can be found in Note 4 of the Notes to the Core Financial Statements.

7 Arm's Length Management Organisation (2010 Rotherham Ltd)

Since 19 May 2005, responsibility for the management, repair and improvement of the Council's houses was transferred to the ALMO, 2010 Rotherham Limited. The Council continues to own the houses.

The ALMO was inspected by the Government's Housing Inspectorate in November 2005 and it received a two star rating. It was re-inspected by the Audit Commission in November 2008 and was successful in retaining its two star status. As a result of this, the Council will be able to continue delivering the Decent Homes programme under which a further £85m will be spent by 2011.

8 Pensions

These Statements incorporate the full effect of FRS17 – Retirement Benefits, the purpose of which is to ensure that these Statements reflect at realisable value the assets and liabilities underlying the Council's obligation relating to retirement benefits, and that the true cost of these obligations is recognised.

Eligible members of the Local Government Superannuation Scheme in Rotherham are covered by the South Yorkshire Pension Fund and the Superannuation Fund Regulations require contributions to be sufficient to maintain fully the solvency of the Fund.

Currently the South Yorkshire Pension Fund is in a deficit position and the impact of incorporating the FRS 17 requirements has been to show a Pensions liability in the Balance Sheet of £200.6m (2007/08 restated £232.5m), which is a decrease in the deficit of £31.9m on the position as at 31 March 2008. This liability represents the Council's share of the overall deficit on the Fund.

Employers' contributions are determined by an independent actuary, based on triennial actuarial valuations, and the review relevant to the rate as reported in these accounts was carried out as at 31 March 2007.

The pension costs shown within the Housing Revenue Account (HRA) reflect the current service costs relating to HRA staff. The HRA's apportioned share of the interest cost and expected return on assets has been included in net operating expenditure. The impact of these adjustments is reversed by an appropriation to the Pension Reserve, so that the pension cost to be funded from rents equates to the actual pensions related payments for the year.

10 Outlook

Rotherham is changing rapidly and its financial strategies must reflect and help this process. Over recent years, the Council's performance has been recognised as improving, including the way the Council manages its financial resources and offers value for money to the Borough's taxpayers. We were therefore delighted when the Audit Commission first awarded us a score of four out of four for our Use of Resources element of the Comprehensive Performance Assessment in 2006 and maintained this level in both 2007 and

2008. Indeed Rotherham is currently one of only 21 councils to have achieved this score.

The Council has recently refreshed its Medium Term Financial Strategy (MTFS) which is aligned with the Corporate Plan and the Government's three yearly Comprehensive Spending Review covering the period 2008-11. The MTFS will:

- Ensure the sustainability of the Council's Budget;
- Facilitate proactive, strategic management of the Budget to ensure service investments and disinvestments flow from the Council's corporate priorities as set out in the Corporate Plan; and
- Guarantee responsiveness to an ever-changing and uncertain financial climate, in which funding streams cease and new opportunities arise.

The Council set its Revenue Budget for 2009/10 at £210.639m and, in addition, Dedicated Schools' Grant (DSG) provides £171.016m to fund schools. The Budget will:

- enable the Council to deliver its corporate priorities by harmonising available resources with its priorities
- secure funding for those proposed investments identified as highest priority
- make a positive difference to the wellbeing of the people of Rotherham by promoting investments in key local priorities. These include:-

Safeguarding young people - ensuring that there are adequate resources for safeguarding young people through the Council's fostering service (+£1.020m) where numbers have increased from 12 places in early 2008/09, to 62 places currently and to an estimated 77 places in 2009/10; or in appropriate cases by the commissioning of out-of-authority specialist residential care where such facilities are not available within the Borough, an increase of placement from 5 to 14 (+£1.200m).

Safeguarding vulnerable adults - in response to increased demand for these services and in response to the CSCI Annual Performance Assessment for 2008 (+£2.274m).

Grounds maintenance - Enhancing the Borough's visual attractiveness for residents and to attract potential new investors to the area by improving the level of grounds maintenance (+£0.435m).

Economic downturn (Credit Crunch) – responding to the current economic climate, where residents of the Borough and local businesses face increasing challenges and financial difficulties (+£0.250m).

The level of Council Tax – Keeping any increase in the level of Council Tax as low as possible whilst continuing to deliver service priorities. A below-inflation increase in Council Tax will assist residents during the current economic downturn. The increase approved is the lowest increase in over a decade.

In setting the Budget, the Council set the lowest level of Council Tax increase in 12 years (a 2.9% increase) due to prudent financial management which has

produced the continuing healthy General Fund position detailed on Page 4 of the Explanatory Foreword.

A A Bedford, BA(Hons), CPFA
Strategic Director of Finance

Introductory Statements

Statement of Accounting Concepts and Policies

Statement of Accounting Concepts and Policies

1 General

The Authority's accounts are prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice", as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code incorporates the appropriate requirements of the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs), International Financial Reporting Standards (IFRSs), and the Best Value Accounting Code of Practice (BVACOP).

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed the reason and effect have been disclosed. The accounting policies of the Authority have been approved by the Council's Audit Committee.

The main changes required by the 2008 SORP are:

- Appendix A Application of Accounting Standards has been updated for changes in accounting standards and UITF Abstracts – financial reporting interpretation for Public Benefit Entities, website development costs, accounting for start-up costs and associates and joint ventures;
- the circumstances in which it would be appropriate to use the depreciated replacement cost method of valuing property have been clarified
- additional disclosure requirements to implement the requirements of the Pension SORP 2007;
- the Statement of Internal Control and the Statement on the System of Internal Financial Control has been amended to reflect CIPFA's latest guidance and renamed Statements Reporting Reviews of Internal Controls or Internal Financial Controls;
- What can be capitalised as Intangible Assets has been clarified in line with FRS 10;
- the introduction of the Area Based Grant, a new government grant which came into effect on 1st April 2008 and will replace Local Area Agreement Grants;
- discretion to authorities to defer charging unequal pay expenditure, or social security or other costs incurred by the authority in relation to such back payments to the General Fund. Such amounts are provided for under FRS 12 and charged to the Income and Expenditure Account and the SMGFB;
- clarifying amendments on Financial Instruments, especially relating to financial instruments at fair value through profit or loss, exchange of financial instruments and designation of financial instruments;

- revaluation of fixed assets immediately prior to disposal has been prohibited, unless such revaluation is specifically required by legislation;
- clarifying amendments to the Cash Flow Statements, in line with FRS 1, to allow alternative methods of presentation. The Authority continues to use the “direct” method disclosing major categories of gross cash receipts and payments;
- capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. However, there are other receipts which can be used to fund capital but do not meet the above description. Those, such as grants awarded to purchase a fixed asset, should, under the SORP, be treated as income in the Income & Expenditure Account (I&E) and a reconciling item on the SMGFB. Where, under SORP, the receipt, such as repayment by a third party of a loan made to acquire a fixed asset, are credited to Capital Receipts Reserve and debited to the Capital Adjustment Account;
- the section on Deferred Charges has been deleted as the concept is now redundant.

2 Revenue Income and Expenditure

Accruals

The Council's revenue accounts are prepared on an accruals basis, in accordance with the Code of Accounting Practice and FRS 18.

The accounts include income relating to the provision of Council services but which had not been received at the year-end. Expenditure is included where services have been delivered to the Council but not paid for at the year-end.

One exception to this policy is the treatment of expenditure on utilities whereby only actual payments made in the year are included but nevertheless generally represents a full year's expenditure.

Internal Interest

Interest receivable will be credited to the General Fund.

The Housing Revenue Account, some internal accounts and funds held on behalf of external organisations are credited with interest based on the notional monthly level of cash balances. The sums are calculated using seven day money market rates.

Area Based Grant

From 2008/09 Local Area Agreement Grant (LAA) is being replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, no conditions on use are imposed as part of the grant determination ensuring full local control over how the funding can be used. It is not restricted to achieving LAA targets. Also, unlike LAA, ABG is paid directly to the authority that benefits from the grant, rather than the upper tier, accountable body, authority.

Pension Costs

The Authority participates in two pension schemes:

- (i) Teachers
- (ii) Local Government Pension Scheme

These pension schemes are governed by statutory regulation and made available by the Authority to both full and part-time staff.

The Pensions costs included in this Statement have been determined and accounted for in accordance with FRS 17 Retirement Benefits.

The operating costs of providing retirement benefits to employees are now recognised in the accounting period in which the benefits are earned by the employees. The policies reflect the Authority's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

In line with the 2007 Pension SORP, Quoted Securities held as Pension Fund Assets are now valued at bid values not mid-market values. This change has reduced the value of Scheme Assets at 1 April 2009 from £436.9m to £436.0m a decrease of £0.9m (at 1 April 2008 from £518.5m to £517.5m a decrease of £1.0m).

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries the Council will assume that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

Cost of Support Services

The costs of management and administration in central departments are accounted for in accordance with the recommendations of the CIPFA Best Value Accounting Code of Practice (BVACOP). These are almost wholly recharged to services as support costs on the basis of recorded time spent by staff on service activity or on the basis of the number of transactions undertaken. Exceptions to this general rule are:

- The cost of support services provided to the Council through the joint arrangement with RBT (Connect) Ltd have been apportioned to services on a percentage basis;
- The costs of office accommodation are pooled and recharged to services on the basis of floor area occupied.

In addition, BVACOP requires that the following items of expenditure will be held centrally and not apportioned to services:

- Corporate and Democratic Core (CDC) (comprising Democratic Representation and Management (DRM) and Corporate Management (CM));

Democratic Representation and Management includes:

- (a) All members' allowances and expenses, including telephone calls, postage, equipment costs, hospitality, accommodation costs, training, conference fees etc., incurred when undertaking activities on behalf of the authority, as local representatives or to represent local interests;
- (b) The costs associated with officer time spent on appropriate advice and support activities; and
- (c) Subscriptions to local authority associations and provincial councils;

Corporate Management includes:

- (a) The functions of the individual designated the head of the paid service (frequently the chief executive), except those concerned with the direct management of services or the provision of advice and support to members;
- (b) Maintaining statutory registers, e.g. of politically sensitive posts, unused land, payments to members and members' interests. (This excludes the costs of maintaining statutory service specific registers);
- (c) Providing information required by members of the public in exercise of statutory rights (other than about specific services);
- (d) Completing, submitting and/or publishing all service staffing returns, statement of accounts, annual reports, public performance reports and formal financial reports of performance;
- (e) Estimating, negotiating, accounting for and allocating corporate-level resources such as credit approvals and other sources of capital finance, precepts, block grants and taxes;
- (f) The costs of statutory external audit;
- (g) The costs of external inspections;
- (h) The costs of treasury management; and
- (i) Bank charges other than those which relate to accounts operated on a decentralised basis.

Non Distributed Costs (NDC) includes:

- (a) Past service costs relating to retirement benefits (if any) - for a defined benefit scheme these costs are defined by the SORP as scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits;
- (b) Settlements relating to retirement benefits (if any) - these are defined by the SORP;

- (c) Curtailments relating to retirement benefits (if any) - these are defined by the SORP;
- (d) The costs associated with unused shares of IT facilities;
- (e) The costs of shares of other long-term unused but unrealisable assets;
- (f) Impairment losses relating to assets under construction and surplus assets held for disposal and depreciation (and associated credits to income for government grants deferred) on the latter category of assets; and
- (g) The revenue expenditure involved in holding surplus assets (e.g. security costs).

The elements of cost which are to be included within CDC and NDC are defined in full within BVACOP.

Revenue Grants

Revenue grants and subsidies are credited to the appropriate revenue service accounts with accruals being made for amounts either known or estimated to be receivable or payable in the financial year.

Trading Accounts

Trading operations are carried out as an integral part of the revenue budget of the "parent service".

Back pay arising from equal pay claims

Equal pay claims arising from the Council's past pay structures (with related taxation, National Insurance and other costs) have taken and continue to take several years to resolve. The Council has established a provision for these costs that is kept under review.

Authorities not granted a capitalisation directive have the discretion to defer charging unequal back pay expenditure to the General Fund or HRA, until the date of actual payment the amount being a reconciling amount in the SMGFB/SMHRAB.

The Council has been granted a capitalisation direction which allows it to fund the cost of the settlements over several financial years. As settlements are paid they will be charged against the provision and in accordance with the terms of the capitalisation direction treated as capital expenditure.

3 Capital Accounting

3.1 Introduction

The authority adheres to the 15 key principles of Capital Accounting. The first two are general:

- Accounting for fixed assets will be separated from accounting for capital financing costs, by making an annual charge to service revenue accounts for all assets used in service provision.
- All fixed assets held by the authority will be capitalised and included in the Balance Sheet.

The next principles relate to the Balance Sheet:

- All expenditure on the acquisition, creation or enhancement of fixed assets is accounted for on an accrual basis and capitalised in the Balance Sheet.
- All fixed assets are included in the Balance Sheet at the current value except for infrastructure assets and community assets, which will be included at historical cost.
- All assets included at current value will be revalued at intervals of not more than five years.
- Certain short-lived assets, such as vehicles, plant and equipment may be included at historical cost as a proxy for current value, but only on the grounds of materiality.

There are three capital reserves:

- A Revaluation Reserve, which will record the net gain (if any) from revaluations made after 1 April 2007;
- A Capital Adjustment Account, which will reflect the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them;
- A Usable Capital Receipts Reserve.

The final principles relate to the Income and Expenditure Account and the Statement of Movement on the General Fund Balance;

- The Authority is required to prepare an Income and Expenditure Account, bringing together the income and expenditure of the Authority's services, including the Housing Revenue Account (HRA).
- All services, including central support services and trading accounts, will be charged with depreciation, for all fixed assets used in the provision of the service.
- Where an asset suffers an impairment representing the clear consumption of economic benefits (eg flood damage), then an impairment loss is charged to the service that uses the asset – impairment losses are also be chargeable where there is no accumulated revaluation gain for the asset that can absorb any loss due to the general change in prices.

- To ensure that depreciation and impairment losses will not impact on the level of local taxation, any debits made in the Income and Expenditure Account will be reversed out in the Statement of Movement on the General Fund Balance by appropriations from the Capital Adjustment Account.
- The statutory Minimum Provision/loans fund principal repayment plus any additional voluntary contributions will be debited to the Statement of Movement on the General Fund Balance as the charge against council tax for the year.
- Any revenue financing of fixed assets will be accounted for as a transfer to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance.

Capital expenditure on fixed assets with a total expenditure of less than £10,000 is deemed to be de minimis to the financial position of the Authority. Where such expenditure is incurred, it is written off in the year to the service area in which the expenditure was incurred.

Assets under construction are carried at cost at the year end.

3.2 Revaluation

In accordance with CIPFA recommended best practice the Council operates a rolling revaluation programme to ensure that fixed assets are revalued at least once every five years.

Properties are valued on the basis of open market value for existing use or, where this could not be assessed because there is no market value for the asset, on the depreciated replacement basis. In addition the Council values all its infrastructure, vehicles, plant, equipment and community assets at historical cost. Housing stock is revalued annually using the beacon principle.

The Council carries out an annual review of its assets for impairment (FRS 11). This aims to identify any unexpected changes to the value of its assets. Consideration is also given to the impact of general changes on asset values during the year.

For all other assets where the Council is unaware of any material change in value the valuation of those assets will not have been updated.

3.3 Disposals

Where the disposal of an asset, carried at historical cost, gives rise to a gain or loss, this gain or loss will be reversed out of the General Fund by crediting the Capital Receipts Reserve with the disposal proceeds and debiting the Capital Adjustment Account with the carrying amount of the disposal. The gain or loss will then be a reconciling item on the Statement of Movement on the General Fund balance.

If the asset disposed of was carried at current value then the balance on the Revaluation Reserve is also written off to the Capital Adjustment Account.

No assets are revalued immediately prior to disposal unless legislation requires/allows the Council to do so.

3.4 Capital Charges for use of Fixed Assets

Services are charged for all assets used in the provision of services. This incorporates an annual provision for depreciation and impairment, where appropriate. They are calculated on the net value of assets at 1 April.

Depreciation is provided on all fixed assets over the useful life of the asset. The useful life of the asset is assessed by the valuer each time the asset is revalued. The valuer also estimates life of assets held at historic cost. Generally these are as follows:

Council Dwellings	30 years
Other Buildings and Non Operational Properties	up to 100 years
Infrastructure	40 years
Equipment	10 years
Computers	3 years
Vehicles	7 years

Depreciation is calculated using a straight line method, with the exception of vehicles where a reducing balance method is used.

No depreciation is charged on land included in the valuation of operational assets. The commercial property portfolio is held as an investment and valued accordingly. Likewise no depreciation is charged on assets under construction until they are brought into use. No depreciation is charged on other non-operational and surplus assets.

3.5 Intangible Fixed Assets

Intangible Fixed Assets comprise expenditure which may properly be capitalised, but do not produce tangible fixed assets, for example, Software Licences. As these assets give no long-term benefit to the Council the balance will be written off in the year of expenditure.

The Council follows a policy of transferring all such expenditure, together with any associated capital grant, to revenue in the year.

Amounts transferred to revenue are subsequently charged to the Capital Adjustment Account as a reconciling item in the SMGFB.

3.6 Government Grants

Government grants and other contributions are accounted for on an accruals basis and included in the accounting statements when the conditions for their receipt have been complied with and there is a reasonable expectation that the grant or contribution will be received.

Where expenditure in relation to a fixed asset has been financed wholly or partially by Government grant, the amount of the grant will be credited initially to the Government Grants Deferred Account. Amounts are released to revenue over the estimated useful life of the asset in order to match the depreciation charged on the asset to which it relates. For

assets which are not to be depreciated (e.g. land) grants will be transferred immediately to the Capital Adjustment Account.

Where the Authority acts as the accountable body but has schemes which are partner-led, the Authority will as far as is practicable account for them in accordance with the recommendations of LAAP Bulletin No. 50.

3.7 Leases

Where assets are acquired under operating leases, the cost of the assets and the related liability for future rentals payable are not recorded in the balance sheet, since the Authority does not own the assets. Rentals that are payable under operating leases are charged to revenue on an accruals basis.

3.8 Repayment of Debt

CLG Regulations require Full Council to approve an MRP Statement in advance each year. Detailed rules have been replaced by a single duty to charge an amount of MRP which the Council considers 'prudent'.

The Council approved the following MRP policy in relation to the charges for the 2008/09 financial year:

- The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the Regulations;
- The MRP charge in relation to capital expenditure incurred in 2007/08 and 2008/09 where the expenditure is funded by both supported and unsupported borrowing is calculated on the basis of equal instalments over the expected useful life of the asset; and
- The MRP charge in relation to capital expenditure incurred in 2007/08 and 2008/09 where the expenditure is funded by a Capitalisation Direction is calculated on the basis of equal instalments over the specified period(s) set down within the Regulations.

Principal repayments within the Metropolitan Debt Administration Account are based on a 10% Sinking Fund using a methodology prescribed in the Statutory Instrument 1986 No. 437. All principal repayments will be extinguished by 2020/21.

3.9 Capital Receipts

Capital receipts from the disposal of assets will be treated in accordance with the provisions of current Government legislation. Although income from the disposal of assets will be split into 'reserved' and 'useable' elements (the reserved element must be set aside to repay debt and the useable element can be used to fund capital expenditure) currently, other than for housing, 100% of disposal values can be used to finance capital expenditure.

For Housing Revenue Account receipts, 75% of sale of dwellings and 50% of land sales will be required to be paid to Central Government under an arrangement known as pooling. However receipts from land sales are

excluded provided they are used in the provision of affordable housing or regeneration projects.

In line with changes in the 2008 SORP, Capital Receipts arising from grants are treated as stated in Paragraph 1 of this section.

4 Current Assets

4.1 Stocks and Work-in-Progress

SSAP 9 requires stocks and work-in-progress to be shown in the accounts at the lower of cost and net realisable value. However, the Council's policy is to include the value of stocks in the balance sheet at the latest purchase price and work-in-progress at cost.

The difference between the figures of stocks shown in the Balance Sheet and those based on SSAP 9 is not considered to be material.

5 Provisions, Reserves and Contingencies

5.1 Provisions

The Council sets aside provisions for future liabilities or losses which are certain to be incurred, but where the amounts or dates on which they will arise cannot be determined accurately.

5.2 Reserves

Amounts set aside for purposes that fall outside the definition of provisions are reserves. Contributions to reserves generally arise out of surpluses on the Council's trading accounts and underspendings on services.

5.3 Contingencies

Contingencies, whether assets or liabilities, are not be recognised in the accounting statements. These are disclosed by way of notes to the accounts if there is probability of a receipt or transfer of economic benefits (asset) to the Council or there is probability of a payment or transfer of economic benefits (liability) from the Council.

6 Financial Instruments

6.1 Introduction

Financial Instruments are covered by FRS 26 "Financial Instruments: Recognition and Measurement" and FRS 25 "Financial Instruments: Presentation and Disclosures", although the latter has now partly been replaced by FRS 29 "Financial Instruments: Disclosures".

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. The term financial instrument covers both financial assets and liabilities and includes, among others, trade receivables and payables, borrowings, financial guarantees, bank deposits and loans receivable.

6.2 Initial Recognition

Financial instruments will be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument, i.e. when the purchaser becomes committed to the purchase or in the case of a loan the cash changes hands. Sales and disposals of financial assets will also be recognised in the same way.

Trade receivables and payables will be an exception to this rule, as they will only be recognised when the goods or services have actually been delivered or received.

6.3 Initial Measurement

Financial assets and liabilities will be measured initially at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

6.4 Fair Value

Fair value will be the amount for which the asset could be exchanged, or a liability settled, between knowledgeable willing partners in an arm's-length transaction.

6.5 Implementation

The authority will comply fully with the regulations as set out in the FRSs and in the SORP.

More detail on treatment of Financial Instruments can be found in the Notes to the Core Financial Statements.

6.6 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks such as:

- Credit risk – the risk that other parties might fail to pay amounts due;
- Liquidity risk – insufficient funds available to meet commitments;
- Re-financing risk – renewal of a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – financial loss as a result of changes in interest rates or stock market movements

In order to minimise these risks the authority will continue to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Local Government Act 2003.

6.7 Impairment and Uncollectability of Financial Assets

As part of the new requirements for accounting for and disclosing financial instruments based on FRS 26 amounts shown as due from debtors will be individually, or collectively for those debts which are not significant, reviewed for impairment. Provision is made for doubtful debts and known uncollectable debts will be written off to the appropriate service accounts.

6.8 Premiums and discounts

Premiums and discounts incurred prior to 1 April 2006 are required to be fully written off to revenue unless they are directly attributable to a loan carried on the Balance Sheet at 31 March 2007. Premiums and discounts incurred after 1 April 2007 where the loan transaction has been classified as substantially different in accordance with SORP requirements are also required to be immediately fully written off to revenue.

In accordance with Government Regulations the impact will be offset through a transfer to a Financial Instruments Adjustment Account disclosed within the Statement of Movement in the General Fund Balance.

Balances held in the Financial Instruments Adjustment Account are written off to revenue in accordance with Government Regulations.

Premium and discounts incurred prior to 1 April 2006 that are directly attributable to a loan carried on the Balance Sheet at 31 March 2007 and premiums and discounts incurred after 1 April 2006 where the loan transaction has been classified as modified in accordance with SORP requirements are not required to be immediately written off to revenue. The premium/discount adjusts the new loan carrying amount and is written down to revenue over the life of the new loan using the Effective Interest Rate.

7 Group Accounts

7.1 The Council's accounts and disclosures comply with the requirements of the SORP consistent with FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures.

8 Value Added Tax (VAT)

8.1 VAT is included in the accounts only to the extent that is irrecoverable.

9 Private Finance Initiative

9.1 The Private Finance Initiative (PFI) is accounted for in accordance with provisions of Application Note F to Financial Reporting Standard No 5 (FRS5) and also by reference to guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

10 Landfill Allowance Trading Scheme

10.1 Allowances held will be recognised and classified as current assets, their value being initially measured at fair value.

10.2 Landfill allowances are issued free by DEFRA and the fair value of the allowances is a Government grant which will be accounted for under SSAP 4 Accounting for Government Grants.

10.3 The liability arising from actual landfill usage will be recognised as a provision falling within the scope of FRS 12 Provisions, Contingent Liabilities and Contingent Assets.

10.4 Re-measurement of landfill allowances will be carried out on a lower of cost and net realisable value basis.

Main Financial Statements and Notes to the Core Financial Statements

Income and Expenditure Account

Statement of Movement on the General Fund

Statement of Total Recognised Gains and Losses

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

Income and Expenditure Account 2008/09

This account summarises the Authority's financial performance for the year using UK general accounting standards. However, the amounts chargeable to a Local Authority's Council Tax and its General Fund Reserves for the year are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. The Statement of Movement on the General Fund Balance shows the net difference between the deficit on the Income and Expenditure account and the amount transferred to the General Fund Reserve.

Restated 2007/08 Net Cost £000		Gross Expenditure £000	Gross Income £000	2008/09 Net Cost £000	Notes
68,754	Adult Social Care	114,616	-34,476	80,140	
2,182	Central Services to the Public	2,293	-806	1,487	
54,185	Children's & Education Services	328,385	-250,464	77,921	
393	Court and Probation Services	481	-8	473	
28,317	Cultural, Environment and Planning Services	66,050	-24,553	41,497	
13,410	Highways, Roads & Transport Services	18,728	-2,068	16,660	
95,194	Housing Revenue Account	212,152	-70,948	141,204	
3,616	Other Housing Services	89,484	-90,059	-575	
1,341	Exceptional Items	0	0	0	
5,217	Corporate & Democratic Core	18,117	-639	17,478	
7,054	Non Distributed Costs	1,537	0	1,537	
279,663	Net Cost of Services	851,843	-474,021	377,822	
-3,023	Gain(-) or loss on disposal of fixed assets	1,181	0	1,181	
0	Gain(-) or loss on disposal of long term investments	0	0	0	
1,891	Parish Council Precepts	2,003	0	2,003	23
19,463	County and Other Levies	19,797	0	19,797	
86	Dividends and (Surplus)/Deficit on Trading undertakings	0	-834	-834	5
20,688	Interest Payable or Similar Charges	24,250	0	24,250	
-9,254	Interest & Investment Income	0	-8,201	-8,201	19
2,251	Pensions interest cost and expected return on pension assets	11,766	0	11,766	17
6,206	Amounts payable into the Housing Capital Receipts Pool	1,191	0	1,191	21
317,971	Net Operating Expenditure	912,031	-483,056	428,975	
-14,699	General Government Grants			-28,187	12
-6,223	PFI Support Grants			-6,223	4
-87,586	Non Domestic Rates Distribution			-100,197	
-85,014	Demand on Collection Fund			-88,610	
-1,800	Transfer from Collection Fund in respect of surpluses/deficits			-1,000	
122,649	Income and Expenditure Deficit/ (Surplus)			204,758	

Statement of Movement on the General Fund Balance

Restated 2007/08 £000		2008/09 £000	Note
122,649	(Surplus)/deficit for the year on the Income and Expenditure Account for the year	204,758	1
-127,159	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-202,825	
-4,510	(Increase)/decrease in General Fund Balance for the Year	1,933	
-12,700	General Fund Balance Brought Forward	-13,994	
3,216	Transfers to(-)/from(+) General Fund Balance in the Year	1,944	
-13,994	General Fund Balance Carried Forward	-10,117	
-7,364	Amount of General Fund Balance held by Governors under schemes to finance schools (in year decrease £2.451m)	-4,913	
-6,630	Amount of General Fund Balance generally available for new expenditure	-5,204	
-13,994		-10,117	

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of £42.171m ((£68.880m) 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £121.144m.

Statement of Total Recognised Gains and Losses

This Statement shows all the net gains and losses recognised by the Authority during the year, including those arising from the valuation changes in assets and liabilities, which are not recognised in the Income and Expenditure Account.

Restated 2007/08 £000		2008/09 £000	Note
122,649	(Surplus)/deficit on the Income and Expenditure Account	204,758	
-126,594	(Surplus)/deficit on Revaluation of Fixed Assets	-11,449	
0	(Surplus)/deficit on Revaluation of Available for Sale Assets	0	
68,880	Actuarial (gains)/losses on pension fund	-42,171	
496	Other (gains) or losses	-1,441	
65,431	Total of recognised (Gains) and Losses	149,697	

The cumulative effect on reserves of the prior period adjustments is £22.474m.

Balance Sheet as at 31 March 2009

The balance sheet is the key statement of an authority's financial position at the year end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Restated 2007/08			2008/09		
£000	£000		£000	£000	Note
	0	<u>Long-term Assets</u>			
		Intangible Fixed assets		793	25
		<u>Tangible Fixed assets</u>			
		<u>Operational Assets</u>			
830,980		Council Dwellings	717,585		
375,499		Other Land & Buildings	409,590		
		Vehicles, Plant, Furniture & Equipment	4,905		
2,539		Infrastructure Assets	61,708		
50,374		Community Assets	1,760		
4,043			<u>1,195,548</u>		24
1,263,435		<u>Non-Operational Assets</u>			
		Investments Properties	30,984		
21,348		Surplus Assets	52,286		
42,782		Assets under Construction	28,840		
39,956			<u>112,110</u>	1,307,658	24(ii)
104,086	<u>1,367,521</u>	<u>Total Fixed Assets</u>			
	1,367,521	Long-term Investments		18,671	35
	15,975	Long-term Debtors		<u>17,208</u>	32
	<u>9,971</u>	Total Long-Term Assets		1,344,330	
	1,393,467	<u>Current Assets</u>			
		Stock and Work in Progress	449		36
447		Debtors	53,694		37
64,460		Landfill Usage Allowances	360		51d.v
597		Short-term Investments	68,703		32
138,545		Cash in hand or at Bank	15,876		54
1,977			<u>139,082</u>		
206,026		<u>Current Liabilities</u>			
		Creditors	-104,570		38
-107,377		Deferred Liabilities	-731		39
-664			<u>-105,301</u>	33,781	
-108,041	<u>97,985</u>	<u>Total Assets less Current Liabilities</u>			
	1,491,452	Long-term Borrowing	-421,430		29
		Deferred Liabilities	-14,900		39
-385,808		Provisions	-21,306		43
-15,630		Government Grants Deferred	-87,967		44
-7,895		Unapplied Capital Grants / Contributions	-17,401		45
-61,857		Pensions - Liability	<u>-200,638</u>	-763,642	17
-23,639					
-232,457	-727,286				
	764,166	<u>Total Assets less Liabilities</u>		614,469	

Balance Sheet as at 31 March 2009 (continued)

Restated 2007/08			2008/09		
£000	£000		£000	£000	Note
		Financed by:- <u>Capital Accounting balances</u>			
78,479		Revaluation Reserve	86,327		50b
860,105		Capital Adjustment Account	677,567		50a
169		Deferred Capital Receipts	147		49
6,032		Usable Capital Receipts Reserve	6,353		50e
0		Major Repairs Reserve	320		49
<u>0</u>		Available for Sale Reserve	<u>0</u>		50c
	944,785			770,714	
		<u>Notional Reserves</u>			
-232,457		Pensions Reserve	-200,638		49/49a
<u>-736</u>		Financial Instruments Adjustment Account	<u>-1,290</u>		50d
	-233,193			-201,928	
		<u>Reserves</u>			
13,994		General Fund Balance	10,117		49/49a
6,480		Housing Revenue Account Balance	6,193		49/49a
270		Collection Fund	1,047		49/49a
<u>31,830</u>		Other Earmarked Reserves	<u>28,326</u>		49/49a
	52,574			45,683	
	764,166	Total Net Worth		614,469	

The preceding statements together with associated notes have been restated for 2007/08 as a result of the revision in the accounting treatment of Fixed Assets, Government Grants Deferred, Deferred Charges and Pensions.

Cash Flow Statement for the period ended 31 March 2009

2007/08			2008/09		Note
£000	£000		£000	£000	
		REVENUE ACTIVITIES			
		Cash Outflows:			
300,749		Cash paid to and on behalf of employees	310,875		
306,296		Other Operating Costs	311,306		
18,160		Housing Benefit paid out	21,902		
59,275		National non-domestic rate payments to pool	57,949		
14,878		Precepts paid	15,631		
<u>7,003</u>	706,361	Payments to Capital Receipts Pool	<u>1,960</u>	719,623	
		Cash Inflows:			
-22,060		Rents (after rebates)	-22,871		
-82,558		Council Tax Income	-85,611		
-87,586		National non-domestic rates receipts from pool	-100,198		
-52,352		National non-domestic rate income	-58,908		
-14,699		Revenue Support Grant	-13,948		
-18,319		DWP Housing Benefit Grant	-20,624		
-331,784		Other Government Grants	-314,908		56
-99,673		Cash received for Goods and Services	-110,691		
<u>-12,791</u>	-721,822	Other Operating Cash Receipts	<u>-12,923</u>	-740,682	
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
		Cash Outflows:			
18,286		Interest Paid	21,990		
		Cash Inflows:			
<u>-9,131</u>	<u>9,155</u>	Interest Received	<u>-8,044</u>	<u>13,946</u>	
	-6,306	Net Revenue Cash Inflow		-7,113	52
		CAPITAL ACTIVITIES			
		Cash Outflows:			
158,783		Purchase of Fixed Assets	165,831		
<u>8,543</u>	167,326	Purchase of Long Term Investments	<u>7,000</u>	172,831	
		Cash Inflows:			
-15,163		Sale of Fixed Assets	-8,129		
-43,332		Capital Grants Received	-45,865		56
<u>-23,489</u>	<u>-81,984</u>	Other Capital Income	<u>-15,159</u>	<u>-69,153</u>	
	79,036	Net Cash Outflow		96,565	
		ACQUISITIONS AND DISPOSALS			
	- 5,000	Sale of Long term investment		- 5,000	
	<u>0</u>	Investments in Associates or Joint Ventures		<u>0</u>	
	74,036	Net Cash Outflow Before Financing		91,565	
		MANAGEMENT OF LIQUID RESOURCES			
21,378		Net increase/(decrease) in short term deposits	-69,842		
<u>0</u>	21,378	Net increase/(decrease) in other liquid resources	<u>0</u>	-69,842	
		FINANCING			
		Cash Outflows:			
	265,552	Repayments of amounts borrowed		215,085	
		Cash Inflows:			
-110,900		New Loans Raised	-70,000		
<u>-260,775</u>	-371,675	New Short Term Loans	<u>-180,707</u>	-250,707	
	-10,709	Cash decrease(+) / increase (-)		-13,899	54

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Analysis of the net movement on the Statement of Movement on the General Fund Balance

Restated 2007/08 £000		2008/09 £000	Note
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year		
-264	Amortisation of Intangible Fixed Assets	-390	i
-135,386	Depreciation and Impairment of fixed assets	-190,140	ii
-7,483	Excess HRA depreciation over MRA	-5,793	iii
12,372	Government Grants Deferred Amortisation	2,301	iv
-21,828	Revenue expenditure funded from Capital under Statute	-32,653	v
25,268	Writing out of capital grant funding of deferred charges and impairment	26,846	vi
2,718	Write on of PFI Long-term Debtor	2,847	vii
-128	Write on/down of PFI Deferred Consideration	4,628	viii
3,023	Net gain or (loss) on disposal of fixed assets	-1,181	ix
530	Other net gain or loss on capital receipts	0	x
139	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early redemption of debt	-554	xi
-29,669	Net charges made for retirement benefits in accordance with FRS17	-34,820	xii
-150,708	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	-228,909	
6,005	Minimum revenue provision for capital financing	6,942	xiii
4,101	Capital expenditure charged in year to the General Fund Balance	1,600	xiv
-6,206	Transfer from Usable Capital Receipts for Housing Pooled Capital Receipts	-1,191	xv
23,183	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	24,468	xvi
-123,625	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	-197,090	
-2,111	Housing Revenue account balance	-287	xvii
0	Voluntary provision for repayment of debt	0	xviii
-1,423	Net Transfer to/from (-) earmarked reserves	-5,448	xix
-127,159	Net Additional Amount required to be credited to the General Fund Balance for the year	-202,825	

The Statement of Movement on the General Fund Balance provides the reconciliation between the summary of all resources generated, consumed or set aside by the Authority, as shown in the Income and Expenditure (IE) Account, and the net expenditure of the Authority used for setting local taxes.

- i Reversal of amount debited to the IE Account for amortisation of Intangible Fixed Asset
- ii Removal of depreciation, and impairment charges (NB excludes depreciation charged to HRA services)
- iii Excess of depreciation charged to HRA services over the Major Repairs Allowance element of the Housing Subsidy
- iv Government Grants Deferred amortisation matching depreciation and impairments
- v Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute
- vi Reversal of capital grants used to fund deferred charges and impairment
- vii Reversal of the amount credited to the IE Account for the increase in the Balance Sheet carrying amount of the Schools PFI Long-Term Debtor
- viii Reversal of the amounts debited/credited to the IE Account arising from the write-on and write down of the PFI Deferred Considerations
- ix Reversal of amount included in IE Account
- x Reversal of other capital receipt gains and losses included in the IE Account
- xi Reversal of amounts debited/credited to the IE Account in line with Government Regulations
- xii Pensions adjusting amount. Difference between pensions cost calculated in accordance with the SORP (ie FRS 17) and contributions due under Pension Scheme Regulations
- xiii Statutory provision for loan repayment (MRP). The adjustment shown here is the depreciation charged to General Fund services
- xiv Capital Expenditure financed from revenue i.e. being charged to the General Fund Balance and hence reducing the net surplus
- xv Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool
- xvi The employers' contributions and payments payable to the pension fund in accordance with the Pension Scheme Regulations
- xvii Statutorily required transfer of surplus or deficit for the year on HRA to HRA Balance
- xviii Any voluntary provision for repayment of debt
- xix Transfer to or from reserves. Merging of transfers to/from reserves separately identified above.

Note 2 **Best Value Accounting Code of Practice (BVACOP)**

The Council's accounts are prepared in accordance with the BVACOP produced by CIPFA.

Note 3 **Exceptional Items**

There were no exceptional items to disclose in 2008/09.

Note 4 **Outstanding undischarged obligations arising from Long Term Contracts**

As at 31 March 2009 the Council had two long-term contracts under Private Finance Initiative (PFI) arrangements and was negotiating one other. In addition, it has in place a partnership agreement.

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 9 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All schools were completed in line with the original programme. The agreed government funding is being received and the Authority has established a fund to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £12,419,856 and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6,222,509 of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand alone swimming pool and a joint service centre. The contract with DC Leisure Management Ltd became operational in August 2008 and has a capital value of £38m. £24.954m of PFI Credits have been awarded to support the scheme. 4 of the 5 facilities are now open, the remaining facility, the Maltby Pool and Leisure centre, is scheduled to open in early 2010. Payments during the year totalled £1,456,507. In the same period the Council received £1,131,747 of PFI grant in support of this project.

(c) Bereavement Service Partnership

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008. The contract commenced in August 2008. This is a partnership that will improve the provision of bereavement services to the Rotherham public, with significant investment taking place on the crematorium facility and the wider East Herringthorpe site. No payments have been or are to be made in respect of the Bereavement Partnership. Costs will be met by our partner out of income generated. From this they will pay the Council a guaranteed annual sum. The Council received £250,000 in 08/09 in respect of this Partnership.

(d) Waste Management PFI

The Council is working with Barnsley and Doncaster Councils to develop a waste management PFI to deal with the three authorities' residual waste, with a joint award of £77.4m of PFI Credits to support this Project. The procurement process has now commenced, with contract award programmed for July 2010. No payments have yet been made.

(e) PFI Charges to Revenue

The payments to which the Authority is committed to make are:

	Schools PFI £m	Sports and Leisure PFI £m
Within one year	12.285	3.361
In the 2 nd to 5 th years inclusive	50.733	15.836
In the 6 th to 10 th years inclusive	67.308	21.035
In the 11 th to 15 th years inclusive	72.165	22.621
In the 16 th to 20 th years inclusive	77.657	24.415
In the 21 st to 25 th years inclusive	83.871	26.445
In the 26 th to 30 th years inclusive	Contract completed	28.742
In the 31 st to 35 th years inclusive	Contract completed	15.861

(f) RBT (Connect) Limited

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a company, RBT (Connect) Ltd. The Authority has a 19.9% share holding in the Company.

The aim of the partnership is to help the Authority to refocus and revitalise its method of service delivery to its customers and to help support the high level of investment required. At present the Partnership covers the provision of ICT, Rotherham Connect, Revenues and Benefits, Procurement and the Human Resources and Payroll service.

At the time of publication of this Statement, only draft accounts for the company for the year ending 31 March 2009 are available and the details are shown below:

31 March 2008 £000		31 March 2009 £000
28,639	Turnover	30,045
3	Profit before taxation	25
2	Profit after taxation	18
45	Net Assets	63

During the financial year RBT (Connect) Ltd provided services worth £28.373m to the Council. At the 31 March 2009 a sum of £2,416,008 was payable by RBT (Connect) Ltd to the Council and £2,539,979 was owed from the Council to RBT (Connect) Ltd.

Note 5 Surplus / Deficit on Trading Services, including dividends from companies

In accordance with the recommendations of CIPFA's Best Value Accounting Code of Practice (BVACOP) a number of trading accounts continue to be maintained by the Authority. The overall net surplus on those accounts (£0.028m after adjustment for FRS 17 requirements) has been transferred to the General Fund via the Income and Expenditure Account.

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

2007/08 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2008/09 Surplus(-)/ Deficit (+) £000
-79	Construction, Street Cleansing and Landscaping	11,422	-11,522	-100
-4	Vehicle Maintenance/Transport	1,286	-1,388	-102
-440	Property Services – Fee-billing	3,447	-3,849	-402
-136	Engineering – Fee-billing	1,693	-1,669	24
-13	Cleaning of buildings	4,917	-4,991	-74
-51	Markets	973	-985	-12
7	Building Regulations Control	709	-712	-3
802	School Support Services	9,725	-10,108	-383
0	Rotherham Partnership	202	-115	87
0	Rotherham Management System	234	-177	57
0	Rotherham Newspaper	182	-108	74
86	(Surplus)/Deficit	34,790	-35,624	-834

The surplus, as shown above, has not been allocated to specific services within the accounts, and the net surplus of £1.052m is disclosed within the Income and Expenditure Account as part of Net Operating Expenditure. This net amount incorporates a £0.028m increase on expenditure arising from the adoption of FRS 17 in the accounts.

Note 6 Publicity

Section 5(1) of the Local Government Act 1986 requires authorities to keep a separate account of their expenditure on publicity. During the year the costs incurred by the Council which fell within the requirements of the legislation is detailed as follows:

2007/08 £000		2008/09 £000
816	Recruitment Advertising	761
362	General Advertising	305
906	Promotional Material	1,119
675	Press and Publicity	737
2,759	Total	2,922

Expenditure on 'Promotional Material' in 2008/09 is higher than in 2007/08 for two key reasons:

- The Council commenced monthly distribution of 'Rotherham News' from September 2008. This replaced quarterly editions of 'Rotherham Matters'. The additional promotional materials expenditure amounted to £0.110m and was funded through advertising income generated.
- A new Literacy project 'Inspire Rotherham' wholly funded by Yorkshire Forward was established in 2008/09. Expenditure on this project includes £0.050m on promotional materials for Key Stage 1 and 2 pupils to help raise their educational attainment.

Note 7 Local Government Act 1972 (Section 137) Expenditure

Section 137 of the Local Government Act 1972 empowers local authorities, subject to various conditions and limits, to incur expenditure which in their opinion will bring direct benefit in their area, or to all or some of its inhabitants.

Section 137 was repealed by the Local Government Act 2000, being replaced by Section 2 of the Act. This reduced the requirement to report only grants to charitable organisations operating for the benefit of residents of the Borough.

The Council's expenditure under this power was £443,605 (£423,733 in 2007/08) to voluntary bodies working in the local area.

Note 8 Building Regulations Control Services

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – "details of scheme for setting charges". However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total cost of operating the Building Control Unit during 2008/09 divided between the chargeable and non-chargeable activities. The surplus on chargeable activities disclosed below does not incorporate the effect of

FRS 17, the effect of which would be to reduce the surplus to £0.001m (see Trading Services Statement on Page 35). The Council does not maintain a separate reserve for the chargeable element of the account but retains any balance within the General Fund.

The Authority is required to return at least a break-even position over a 3 year period on its chargeable activities.

The Unit recorded a surplus of £0.056m in 2006/07 and a surplus of £0.005m in 2007/08 and a surplus of £0.004m in 2008/09.

Details for the year are as follow:

2007/08				2008/09		
Chargeable £000	Non- Chargeable £000	Total £000		Chargeable £000	Non- Chargeable £000	Total £000
376	146	522	Expenditure:			
17	1	18	Employee Expenses	445	121	566
40	15	55	Transport	20	1	21
			Supplies and Services	68	9	77
203	9	212	Central and Support Service Charges	175	22	197
636	171	807	Total Expenditure	708	153	861
			Income:			
-631	0	-631	Building Regulation Control	-712	-7	-719
-631	0	-631	Total Income	-712	-7	-719
5			Surplus (-) / Deficit (+) for the year	-4		

Note 9 **Expenditure not relevant to this Authority**

There are certain topics which in accordance with the SORP must be included in these notes, but do not affect Rotherham.

- (a) No significant operations or services were acquired or discontinued during the year.
- (b) Agency arrangements: under a number of statutory powers, the authority is permitted to undertake work on behalf of other bodies. Under such arrangements all expenditure, including administration costs, would be reimbursed by the entity concerned. Currently the authority has no such arrangements in place.
- (c) No activities covered by any scheme of road user charging or work parking levy under the provisions of the Transport Act 2000 have been entered into by the Authority.
- (d) There were no Business Improvement Districts (BIDs) – projects which benefit a particular area and are financed (in whole or in part) by a BID levy, paid by the non-domestic ratepayers, in the BID area – in the area during the year.
- (e) Depreciation methods have not changed and have been applied consistently.
- (f) Amortisation methods have not changed and have been applied consistently writing down deferred charges

Note 10 Local Authority (Goods and Services) Act 1970

In order to demonstrate the extent to which the authority is engaged in trading activities which would not normally be part of its function as a local authority, the following information of goods and services provided, together with related expenditure, for other public bodies are as follows:

2007/08			2008/09	
Expenditure £000	Income £000		Expenditure £000	Income £000
322		Children's and Education Services - Placement out of Authority - Placement in Mainstream & Special Schools - Educational psychology service	295	530 25
278 365	436 24	Cultural, Environment and Planning Services - Asset Management - Streetpride	268 358	
965	460	Total	921	555

Note 11 Pooled Budgets

The Council, through Adult Social Services, has three pooled budget arrangements with NHS Rotherham (formerly, Rotherham Primary Care Trust) to enable joint working under section 31 of the Health Act 1999 which has since been repealed and replaced, for England by section 75 of the National Health Service Act 2006.

The first is for the provision of Intermediate Care services to provide a range of assessment, interim and nurse-led beds to facilitate earlier discharges from hospital. The second provides the full range of services for people with Learning Disabilities and is managed within a pooled budget. The Council acts as 'host' authority to both pooled arrangements.

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

2007/08 £000		2008/09 £000
	Intermediate Care	
-665	Funding from NHS Rotherham	-1,362
-1,110	RMBC (Adult Social Services) Contribution	-1,777
-1,775	Total Gross Income	-3,139
1,688	Total Gross Expenditure	2,769
-87	Net Expenditure (+)/Income (-)	-370

2007/08 £000		2008/09 £000
	Learning Disability Services	
-9,859	Funding from NHS Rotherham	-9,965
-15,116	RMBC (Adult Social Services) Contribution	-16,459
-24,975	Total Gross Income	-26,424
24,341	Total Gross Expenditure	25,817
-634	Net Expenditure (+)/Income (-)	-607

The NHS Rotherham acts as a "host" for the third Pooled Budget where, from April 2004, it became lead provider for the provision of Integrated Community Equipment Service for the people of Rotherham.

2007/08 £000	Integrated Equipment Store	2008/09 £000
-968	Funding by NHS Rotherham	-941
-409	RMBC (Adult Social Services) Contribution	-421
-1,377	Total Gross Income	-1362
1,484	Total Gross Expenditure	1,523
107	Net Expenditure (+)/Income (-)	161

Note 12 **General Government Grants**

The Council receives certain government grants which are identified as not being attributable to specific services and these are as follows:

2007/08 £000		2008/09 £000
-14,699	Revenue Support Grant (RSG)	-13,948
0	Area Based Grant (ASB)	-14,239
-14,699	Total	-28,187

Note 13 **Members' Allowances**

Members' allowances and expenses during the year totalled £1,112,498 excluding Joint Authority allowances (2007/08 £1,085,660 excluding Joint Authority allowances). The employers' pension contributions associated with these allowances was £53,238 (2007/08 £51,575). Detailed information about Members' Allowances can be obtained from the Strategic Director of Finance, 1st Floor Grove Road, Moorgate, Rotherham, S60 2ER.

Note 14 **Staff Remuneration**

The number of employees whose remuneration excluding pension contributions was £50,000 or more in bands of £10,000 is shown in the table:

2007/08			2008/09	
Officers Total	Teachers Total		Officers Total	Teachers Total
26	103	£50,000 - £59,999	35	113
5	20	£60,000 - £69,999	7	31
13	5	£70,000 - £79,999	12	7
3	6	£80,000 - £89,999	4	4
1	4	£90,000 - £99,999	0	3
0	0	£100,000 - £109,999	1	2
3	0	£110,000 - £119,999	3	0
0	0	£120,000 - £129,999	0	0
0	0	£130,000 - £139,999	0	0
0	0	£140,000 - £149,999	0	0
1	0	£150,000 - £159,999	0	0
0	0	£160,000 - £169,999	1	0

Note 15 **Related Party Transactions**

The objective of FRS8 Related Party Disclosures is to ensure that attention is drawn to the possibility that the reported financial position and results may have been affected by the existence of related parties and by transactions with them.

The table which follows discloses transactions between the Council and its Members, Senior Officers or other related parties in addition to those identified elsewhere in the Statement of Accounts (Note 41 to the Core Financial Statements). The information

provided also includes other bodies that may not necessarily meet the definition of a related party, though the Council considers that the information provided will be useful to a reader of the accounts.

Related Parties	Nature of Transactions	£
<u>Assisted Organisations</u>		
Citizens Advice Bureau	Grant, fees and charges	137,381
Coalfields Communities Campaign	Subscription	10,000
Dinnington Resource Centre	Grant, fees and charges	43,183
Full Life Christian Centre	Grant, fees and charges	47,724
Get Sorted Academy of Music	Fees and charges	100,983
Key Fund (South Yorkshire) Ltd	Grant	5,500
Nord Anglia Lifetime Development NE Ltd	Grant, fees and charges	2,103,484
Play and Learn Bus	Fees and charges	48,909
Rotherham Advocacy Partnerships	Grant and charges	145,059
Rotherham Disability Information Services	Grant	1,785
Rotherham Diversity Forum	Grant	22,545
Rotherham Ethnic Minority Alliance Ltd	Grant and Charges	18,194
Rush House Project Ltd	Grant, fees and charges	804,523
Sheffield Wildlife Trust	Fees and charges	36,601
Spurgeon's Childcare	Charges	102,235
Tassibee Project	Fees and charges	44,064
United Multicultural Centre Ltd	Grant, fees and charges	74,647
Yemeni Community Association	Charges	23,406
Yorkshire Trust	Grants and charges	6,215
<u>Member Related</u>		
Age Concern Rotherham Ltd	Grant, fees and charges	324,912
Home-Start Rotherham	Grant and charges	16,491
Rotherham Advice & Information Network	Grant, fees and charges	67,960
Rotherham Arts	Grant and charges	6,263
Rotherham Mind	Grant, fees and charges	507,444
Rotherham Rugby Union Football Club Ltd	Fees and charges	75,050
Rotherham Women's Refuge	Grant, fees and charges	324,978
Safe At Last	Grant, fees and charges	34,789
Swinton Lock Activity Centre	Fees and charges	116,375
Thomas Rotherham College	Grant, fees and charges	57,194
Voluntary Action Rotherham	Grant, fees and charges	666,150
Waste Recycling Ltd	Charges	1,887,428
<u>Officer Related Organisations</u>		
Academy of Construction Trades	Fees and charges	58,581
Churches Together in Rotherham	Passported donations	3,387
Doncaster Adoption Agency	Fees and charges	17,970
FACE Advice Centre	Grant	38,536
GROW	Grant, fees and charges	96,437
Kiveton Park Independent Advice	Grant	30,172
Rotherham Chamber of Commerce	Grant, fees and charges	239,168
Rotherham College of Arts and Technology	Grant, fees and charges	513,813
Rotherham NHS Foundation Trust	Grant, fees and charges	132,538
South Yorkshire Funding Advice	Grant	49,043
<u>Other Related Organisations</u>		
ITA Integrated Transport Authority /Executive	Levy, fees and charges	18,367,021
The Environment Agency	Levy, fees and charges	46,979

Note 16 **Audit Costs**

The Authority incurred the following fees relating to external audit and inspection:

2007/08 £000		2008/09 £000
323	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	326
22	Fees payable to Audit Commission in respect of statutory inspection	22
100	Fees payable to KPMG for the certification of grant claims and returns	100
0	Fees payable in respect of other services provided by the appointed auditor	0
445	Total	448

Note 17 **Pensions**

The Council participates in two separate pension schemes relating to Teachers and Other Employees. Both schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

(a) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

During 2008/09 the Authority paid employer's contributions calculated at 14.1% amounting in total to £12.636m (2007/08 £12.436m).

The total contributions expected to be made in the Teachers' Pension Scheme by the Council in the year to 31 March 2010 is £13.0m.

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

The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. None were approved in 2008/09.

(b) Other Local Government Employees

The requirements of FRS 17 with regard to the disclosure of information have now been fully adopted. In addition, compliance with "The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007)", the Pensions SORP, is now mandatory. The requirements for funded schemes are shown later in this section on pages 42-43.

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not

actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority's participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority (this is a funded scheme), means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. During 2008/09 the Council paid employer's contributions calculated at 16.5% amounting to £22.716m.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £23.934m.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the IE Account after Net Operating Expenditure. The following transactions shown below have been made in the IE Account during the year:

Restated 2007/08 £000		2008/09 £000
-18,786	Net Cost of Services	
-5,574	- Current Service Cost	-19,707
	- Past Service/Curtailment Cost	-139
	Net Operating Expenditure	
-3,058	- Current Service Cost – Trading Services	-3,208
-36,887	- Interest Cost	-45,968
34,636	- Expected Return on Assets in the Scheme	34,202
	Amounts to be met from Government Grants and Local Taxation:	
6,486	- Movement of Pensions Reserve	10,352
	Actual amount charged against Council Tax for pensions in the year:	
-23,183	- Employers' contribution payable to Scheme	-24,468

The impact of the entries for Past Service and Curtailment Costs is reflected in Non-Distributed Costs within the Income and Expenditure Account.

The assumptions made in estimating the figures are detailed below.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

2004/05 £m	2005/06 £m	Restated 2006/07 £m	Restated 2007/08 £m		2008/09 £m
-622.0	-671.4	-680.2	-750.0	Present Value of Benefit Obligations	- 636.7
411.5	480.6	522.1	517.5	Fair Value of Assets	436.1
-210.5	-190.8	-158.1	-232.5	Surplus/(Deficit)	-200.6

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £200.6m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a positive overall balance of £614.469. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit will be made

good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund's liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries.

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

Rate of Return on Assets

Part of the way that the pensions liabilities are expected to be financed is through investment returns. This is allowed for in the FRS17 figures, and typically an investment return of about -17.29% (net of expenses) on the existing assets had been anticipated for 2008/09. This figure may vary from year to year depending on the assumptions made and the underlying distribution of the Fund's assets.

Analysis of the Market Value of Assets as at 31 March 2009

Restated 2007/08 £m		2008/09 £m
325.5	Equities	260.8
78.7	Government Bonds	74.6
38.3	Bonds	32.7
59.5	Property	46.6
15.5	Other	21.4
517.5	Total	436.1

Assets and liabilities in relation to retirement benefits

The change in Benefit Obligations for the year ended 31 March 2009 is as follows:

Restated 2007/08 £000		2008/09 Unfunded £000	2008/09 Funded £000
-680,207	Benefit Obligation at beginning of period	-20,472	-749,942
-18,786	Current Service Cost	0	-19,707
-3,058	Trading Services	0	-3,208
-36,887	Interest on Pension Liabilities	-1,212	-45,968
-7,867	Member Contributions	0	-8,633
-5,483	Past Service Cost	0	-108
-21,485	Actuarial (gains)/loss on liabilities	2,975	166,607
-91	Curtailments	0	-31
0	Settlements	0	0
23,922	Benefits/Transfers paid	1,219	24,297
0	Business Combinations	0	0
-749,942	Benefits Obligation at end of period	-17,490	-636,693

Note: Compensatory Added Years' benefits which are recharged to the employer have been included in the liabilities figure for the purpose of FRS 17 calculations.

The change in Plan Assets during the year ended 31 March 2009 is as follows:

Restated 2007/08 £000		2008/09 Unfunded £000	2008/09 Funded £000
522,093	Fair Value of Plan Assets at beginning of period	0	517,485
34,636	Expected return on Plan Assets	0	34,202
-46,372	Actuarial gains/(losses) on Assets	0	-124,436
0	Business Combinations	0	0
0	Settlements	0	0
23,183	Employer contributions	1,219	24,468
7,867	Member contributions	0	8,633
-23,922	Benefits/transfers paid	-1,219	-24,297
517,485	Fair Value of Plan Assets at end of period	0	436,055

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest instalments are based on gross redemption yields as at the Balance Sheet date. The expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was -£90.234m (2007/08 -£5.835m).

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Mercer Human Resources Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

2007/08		2008/09
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.5%
4.6%	Government Bonds	4.0%
6.1%	Bonds	6.0%
6.5%	Property	6.5%
5.25%	Cash/liquidity	0.5%
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
20.3	Men	20.3
23.1	Women	23.2
	Longevity at 65 for future pensioners:	
21.3	Men (in 20 years time)	21.3
24.0	Women (in 20 years time)	24.1
3.6%	Rate of inflation	3.3%
5.1%	Rate of increase in salaries	4.8%
3.6%	Rate of increase in pensions	3.3%
6.1%	Rate for discounting scheme liabilities	7.1%
50.0%	Take-up of option to convert annual pension into retirement lump sum (50% to take maximum cash – 50% to take 3/80 th cash)	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2007/08		2008/09
62.9%	Equity investments	59.8%
22.6%	Bonds	24.6%
14.5%	Other Assets	15.6%
100.0%		100.0%

Actuarial gains and losses relating to pensions

The actuarial gains and losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009.

2004/05 £000	%	2005/06 £000	%	2006/07 £000	%	Restated 2007/08 £000	%		2008/09 £000	%
21,124	5.1	67,068	14.0	4,413	0.8	-46,372	9.0	Differences between the expected and actual return on assets	-124,436	28.5
-12,675	2.0	-8,066	1.2	0.0	0.0	-9,721	1.3	Experience gains / (losses) on Liabilities	0	0.0

The South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned the actuary, Mercer Human Resource Consulting Ltd to produce the requisite information in relation to the Local Government Superannuation Scheme.

Further information in relation to the Local Government Superannuation Scheme can be found in the South Yorkshire Pension Fund Annual Report which is available upon request from the Superannuation Manager, South Yorkshire Joint Secretariat, Regent Street, Barnsley.

Note 18 Disclosure of Deployment of Dedicated Schools Grant

The Council receives a specific grant from the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under-spends on the two elements are required to be accounted for separately.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations (2008). The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2008/09 are as follows:

Schools Budget Funded by DSG	Central Expenditure £000	Individual Schools Expenditure £000	Total £000
Final DSG for 2008/09			167,663
Brought forward from 2007/08			1,101
Carry forward to 2009/10 agreed in advance			357
Agreed budgeted distribution in 2008/09	13,236	155,171	168,407
Actual Central Expenditure for the year	13,869		
Actual ISB deployed to Schools		154,513	
Local Authority Contribution for 2008/09	0	0	0
Carry forward to 2009/10 (including carry forward to 2009/10 agreed in advance)	-633	658	382

Note 19 **Interest and Investment Income**

Interest earned on revenue balances held by the Authority is credited in the Income and Expenditure Account. It is utilised by the Authority in order to reduce the necessity for external borrowing. Such interest receipts/costs are recorded net.

Note 20 **Surplus / Deficit on the Housing Revenue Account (HRA)**

The HRA Income and Expenditure account and other movements on the HRA reserve have been consolidated into the authority's Income and Expenditure Account and Statement of Movement on the General Fund Balance on a line by line basis. The net movement on the HRA reserve of £0.287m (£2.111m in 2007/08) is included in the additional amount to be credited to the General Fund Reserve for the year in the Statement on the General Fund Balance.

A separate statement relating to the Housing Revenue Account in 2008/09 is included on page 90.

Note 21 **Housing Pooled Capital Receipts**

The Council is required to disclose this payment within the Council's Net Operating Expenditure but in order that there is no effect on the 'Amount to be met from Government Grants and Local Taxation' this deficit is made good by an equivalent appropriation from Usable Capital Receipts.

Note 22 **Capital Expenditure Financed from Revenue**

There was £1.600m (HRA £1.600m and General Fund £0m) capital expenditure financed from revenue in 2008/09 (2007/08 £4.101m).

Note 23 **Parish Precepts**

The payment of parish precepts appears as a charge in the Income and Expenditure Account. Precept demands are issued by the parishes on the Council as Billing Authority and the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable.

Note 24 Tangible Assets**(a) Movement of Tangible Fixed Assets****(i) Operational Assets**

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Equipment and Furniture £000	Infra-structure Assets £000	Community Assets £000	TOTAL £000
Certified Valuation at 31 March 2008	844,447	399,119	8,739	60,242	4,044	1,316,591
Prior Year Adjustments	5,168	-6,857	0	0	0	-1,689
Cost of Valuation						
At 1 April 2008	849,615	392,262	8,739	60,242	4,044	1,314,902
Additions	70,242	10,950	2,538	4,679	985	89,394
Donations	0	0	0	0	0	0
Disposals	-3,471	-427	-360	0	0	-4,258
Re-classifications	-769	37,585	1,137	12,375	-2,555	47,773
Revaluations	-180,049	-9,577	-651	-4,169	-710	-195,156
At 31 March 2009	735,568	430,793	11,403	73,127	1,764	1,252,655
Depreciation and impairments						
At 1 April 2008	-18,635	-16,763	-6,200	-9,868	-1	-51,467
Charge for 2008/09	-18,878	-8,865	-599	-1,551	-3	-29,896
Disposal	0	34	301	0	0	335
Reclassifications	0	648	0	0	0	648
Revaluations	19,530	3,743	0	0	0	23,273
At 31 March 2009	-17,983	-21,203	-6,498	-11,419	-4	-57,107
Balance sheet amount at 31 March 2009	717,585	409,590	4,905	61,708	1,760	1,195,548
Balance sheet amount at 1 April 2008	830,980	375,499	2,539	50,374	4,043	1,263,435
Nature of asset holding						
Owned	717,585	409,590	4,905	61,708	1,760	1,195,548
Finance lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
	717,585	409,590	4,905	61,708	1,760	1,195,548

(ii) Non-operational Assets

	Investment Properties £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Certified Valuation at 31 March 2008	19,643	26,280	40,434	86,357
Prior Year Adjustments	1,705	16,502	-478	17,729
Cost of Valuation				
At 1 April 2008	21,348	42,782	39,956	104,086
Additions	0	2,198	52,055	54,253
Donations	0	0	0	0
Disposals	-285	-718	0	-1,003
Re-classifications	9,411	5,987	-63,171	-47,773
Revaluations	510	2,037	0	2,547
At 31 March 2009	30,984	52,286	28,840	112,110
Depreciation and impairments				
At 1 April 2008	0	0	0	0
Charge for 2008/09	0	0	0	0
Disposal	0	0	0	0
Reclassifications	-8	-640	0	-648
Revaluations	8	640	0	648
At 31 March 2009	0	0	0	0
Balance sheet amount at 31 March 2009	30,984	52,286	28,840	112,110
Balance sheet amount at 1 April 2008	21,348	42,782	39,956	104,086
Nature of asset holding				
Owned	30,984	52,286	28,840	112,110
Finance lease	0	0	0	0
PFI	0	0	0	0
	30,984	52,286	28,840	112,110

Investment properties are held by the Authority for the purpose of generating rental income. They are classed as non-operational assets as they are not directly occupied, used or consumed in the delivery of the Council's strategic service objective. Examples of investment properties are industrial units and shop units.

Surplus assets are land and property which has been identified as surplus to the requirements of the Authority. They are held in the land and property bank awaiting disposal.

(b) Valuation

The Statement of Accounting Policies (earlier in this Statement) sets out the basis and principles of capital accounting.

Capital assets are revalued on the basis of a five-year rolling programme and in 2008/09 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Environment and Development Services.

(c) Analysis of Tangible Fixed Assets

A numerical analysis of the fixed assets of the Council at 31 March 2009, as shown in the Asset Register, is detailed in the table as follows:

Council Dwellings	21,015
<u>ASSET TYPE</u>	
Allotments	29
Bowling Greens	10
Community Centres	91
Cemeteries (Buildings)	5
Children's Centres	19
Children's Homes	4
Off Street Car Parks	26
Day Centres	9
Depots and Workshops	19
Golf Course/Pitch and Putt/Mini Golf	5
Hostels	4
Household recycling Properties	3
Laundry	1
Learning Centre	1
Leisure Activities	2
Libraries	15
Museums and Galleries	1
Markets	1
Office Buildings	29
Pavilions	12
Public Conveniences	4
Public Halls	1
Playing Fields/Rec Grounds	33
Residential Homes	12
Nursery Schools	3
Primary Schools	74
Secondary Schools	8
Special Schools	7
Sports Centres, Fitness Suites & Swimming Pools	10
Tennis Courts	7
Theatres	1
Youth Clubs	3
<u>NON-OPERATIONAL ASSETS</u>	
Investment Property	154
Land Awaiting Development (Area – Acres)	387
Surplus Assets	31
<u>COMMUNITY ASSETS</u>	
Cemeteries (Land)	7
Civic Regalia	24
Local Nature Reserve	6
Museum Exhibits	10
Parks	19
Open Space Land	164
<u>INFRASTRUCTURE ASSETS</u>	
Bridges	14
Other Infrastructure	74
Road length (km)	1,131

(d) Capital Expenditure and Financing

The following tables analyse capital spending by category of asset and by source of funding:

Restated 2007/08 £000		2008/09 £000
300,507	Opening Capital Financing Requirement	376,408
	<u>Capital Investment</u>	
100,022	Operational Assets	89,394
39,052	Non-Operational Assets	54,253
0	Intangible Assets	1,183
21,828	Revenue Expenditure Funded from Capital Under Statute	32,653
	<u>Sources of Finance</u>	
-6,074	Capital Receipts	-3,120
-47,612	Government Grants and Other Contributions	-55,257
-31,315	Revenue Provision	-22,121
376,408	Closing Capital Financing Requirement	473,393

2007/08 £000		2008/09 £000
	<u>Explanation of movements in year</u>	
58,244	Increase in underlying need to borrow (supported by Government financial assistance)	60,514
17,657	Increase in underlying need to borrow (unsupported by Government financial assistance)	36,471
75,901		96,985

Note 25 **Intangible Assets****Movement in Intangible Assets**

	Purchased Software Licences £000	Other Intangible Assets £000	Total £000
Original Cost	0	0	0
Amortises to 1 April 2008	0	0	0
Balance at 1 April 2008	0	0	0
Expenditure in year	1,183	0	1,183
Written off to revenue in year	-390	0	-390
Balance at 31 March 2009	793	0	793

Purchased software licences are recognised at historic cost and amortised on a straight line basis over the useful economic life of the licence.

Note 26 Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2009, a number of commitments had been made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or more) as at that date follow:

Capital Commitments	£m
Decent Homes	
Main Refurbishment Contractors	
Keepmoat	19.905
Henry Boot	15.220
Window Contractors	
Yorkshire Windows	4.616
Anglian	3.884
Economic Development Services	
Aston-cum-Aughton CSC	6.603
Principal Road Network	4.150
Clifton Park Restoration Project	2.930
Canklow School	1.020
Herringthorpe School	1.262

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

Note 27 Deferred Capital Receipts

Deferred capital receipts are amounts due from the sale of assets that will be received in instalments over time. The main component of such receipts is represented by mortgages on council houses sold to (former) tenants.

Note 28 Leasing

The Council holds various operating leases (primarily plant and vehicles), the relevant details of which are set out as follows:

2007/08 £000		2008/09 £000
	Operating Lease Rentals paid in year:	
347	- Primary rentals	244
55	- Secondary rentals	58
	Undischarged obligations under all leases at the year end:	
250	- payable within one year	250
250	- payable within two to five years	0
0	- payable after five years	0

All operating leases expire in 2009/10.

Note 29 **Financial Instruments - Balances**

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

	Long Term		Short Term	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
PWLB	208,296	243,296	0	0
Market Bonds	173,050	173,000	0	0
Temporary	0	0	0	0
Financial liabilities (principal amount)	381,346	416,296	0	0
PWLB	210,909	246,598	0	0
Market Bonds	174,899	174,832	0	0
Temporary	0	0	0	0
Financial liabilities at amortised cost	385,808	421,430	0	0
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	385,808	421,430	0	0
Loans and receivables (principal amount)	15,000	17,000	135,670	68,010
Loans and receivables at amortised cost	15,973	18,669	138,545	68,703
Available- for-sale financial assets	0	0	0	0
Financial Assets at fair value through the I & E	0	0	0	0
Unquoted equity investments at cost	2	2	0	0
Total Investments	15,975	18,671	138,545	68,703
Loans and receivables at amortised cost	15,975	18,671	138,545	68,703

The increase in debt reflects the Council's commitment to higher capital investment as approved within the 5 year capital programme.

No financial instruments have been reclassified or de-recognised during the year, and the Council does not pledge or hold collateral against financial instruments, other than for trade debtors etc.

Note 30 **Financial Instruments – Risk**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the Council might have to renew a financial instrument on maturity at less advantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with the banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Accounting policies.

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

	Amount at 31 March 2009 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2009 % (c)	Estimated maximum exposure to defaults £000 (a*c)
<u>Deposits with banks and financial institutions</u>				
AAA rated counterparties	32,262	0.000%	0.000%	0
AA rated counterparties	6,555	0.030%	0.030%	2
Other counterparties	48,555	0.144%	0.144%	70
Bonds	0	0.000%	0.000%	0
	87,372			72
<u>Debtors</u>				
Long Term Debtors	17,208	0.000%	0.000%	0
Sundry Debtors	11,667	11.543%	11.543%	1,347
Collection Fund	6,773	33.563%	33.563%	2,273
Housing Benefits	1,400	33.345%	33.345%	467
Housing Rents	2,884	63.263%	63.263%	1,825
Other Short-Term Debtors	36,994	0.110%	0.110%	40
Debtors	76,926			5,952
Total	164,298			6,024

Except as disclosed later at note 34 the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. A charge has been made to the I & E Account in respect of the £0.072m maximum exposure identified.

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

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

The estimated maximum exposure to defaults of £6.024m represents the Council's provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

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

31 March 2008 £000		31 March 2009 £000
12,175	Less than three months	7,697
509	Three to six months	458
687	Six months to one year	1,104
2,982	More than one year	2,408
16,353		11,667

Collateral

During the reporting period the Council held no collateral as security.

Liquidity Risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2008 £000		31 March 2009 £000
4,462	Less than one year	4,558
0	Between one and two years	15,167
20,000	Between two and seven years	60,409
30,050	Between seven and fifteen years	21,000
331,296	More than fifteen years	320,296
385,808		421,430

The maturity analysis of financial assets is as follows:

31 March 2008 £000		31 March 2009 £000
139,518	Less than one year	70,372
0	Between one and two years	2,000
7,000	Between two and three years	2,000
8,000	More than three years	13,000
154,518		87,372

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £11.667m are not shown in the above table. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure long term returns.

The risk of interest rates is partially mitigated if the borrowing is supported by Government grant payable on financing costs through the Revenue Support Grant settlement.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Restated 2007/08 £000		2008/09 £000
0	Increase in interest payable on variable rate borrowings	0
0	Increase in interest receivable on variable rate investments	0
0	Impact on Income and Expenditure Account	0
0	Increase in Government grant receivable on financing costs	0
0	Share of overall impact debited to the HRA	0
-460	Decrease in the fair value of fixed rate investment assets	-568
-460	Impact on the STRGL	-568
-69,222	Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E or STRGL)	-67,546

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 32 Fair Value of Assets and Liabilities carried at amortised cost.

Price Risk – The Council does not generally invest in equity shares but does have a number of small shareholdings in its related companies. The Council is therefore not exposed to any significant risks arising from movements in the price of these shares and the shares are not classified as Available-for-Sale.

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

Note 31 **Financial Instruments – Gains/Losses**

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2009 are as follows:

2007/08 Total £000		Financial Liabilities	Financial Assets			2008/09 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for- sale assets £000	Liabilities measured at amortised cost £000	
-20,688	Interest expense	-23,350	0	0	0	-23,350
0	Losses on derecognition	0	0	0	0	0
0	Impairment losses	0	-978	0	0	-978
0	Premium/discounts	78	0	0	0	78

Note 31 **Financial Instruments – Gains/Losses (continued)**

2007/08 Total £000		Financial Liabilities	Financial Assets			2008/09 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available- for-sale assets £000	Liabilities measured at amortised cost £000	
-20,688	Interest payable and similar Charges	-23,372	-978	0	0	-24,250
9,254	Interest income	0	8,201	0	0	8,201
0	Gains on Derecognition	0	0	0	0	0
9,254	Interest and Investment Income	0	8,201	0	0	8,201
0	Gains on revaluation	0	0	0	0	0
0	Losses on revaluation	0	0	0	0	0
0	Amounts recycled to the I & E after impairment	0	0	0	0	0
0	Surplus arising on revaluation of financial assets	0	0	0	0	0
-11,434	Net gain (+) / loss (-) for the year	-23,272	7,223	0	0	-16,049

Note 32 **Financial Instruments – Fair Value of Assets carried at Amortised
Cost**

Part of the financial liabilities and financial assets represented above are shown in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.
- No early payment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair value is calculated as follows:

31 March 2008			31 March 2009	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
210,909	244,635	PWLB debt	246,598	286,536
174,899	199,683	Non-PWLB debt	174,832	193,114
0	0	Temporary	0	0
385,808	444,318	Total Debt	421,430	479,650
107,377	107,377	Trade Creditors	104,570	104,570
493,185	551,695	Total Financial Liabilities	526,000	584,220
138,545	138,545	Money Market loans less than one year	68,703	68,703
15,974	16,293	Money Market loans more than one year	18,669	20,619
0	0	Bonds	0	0
2	2	Equity	2	2
9,971	9,971	Long-term Debtors	17,208	17,208
16,353	16,353	Sundry Debtors	11,667	11,667
4,735	4,735	Council Tax	5,258	5,258
1,131	1,131	Business Rates	1,472	1,472
43	43	Community Charge	43	43
1,276	1,276	Housing Benefits	1,400	1,400
2,660	2,660	Housing Rents	2,884	2,884
43,939	43,939	Other Short-Term Debtors	36,994	36,994
-5,676	-5,676	Bad Debts Provision	-6,024	-6,024
228,953	229,272	Total Loans and Receivables	158,276	160,226

The fair value for financial liabilities is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 33 **Financial Instruments – Soft Loans and Financial Guarantees**

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

Government Regulations permit the removal of this charge through the Statement of Movement on the General Fund Balance to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2009 a balance of £0.005m was held within the account.

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

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

At 31 March 2009 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 34 Impairment adjustment – Landsbanki and Heritable Bank

Early in October 2008, the Icelandic bank Landsbanki collapsed and the UK subsidiary of the bank, Heritable, went into administration. The authority had £3.750m deposited in these institutions, with maturity dates and interest rates as follows:

Bank	Date invested	Maturity Date	Amount Invested £m	Interest Rate	Carrying Amount £m	Impairment £m
Heritable	24/09/2008	24/10/2008	1.800	5.95%	1.288	0.567
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	1.712	0.411

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is prudent to make an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to make an impairment based on it recovering only 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the financial records have been run down to the end of 2012.

Therefore in calculating the impairment the Authority has made the following assumptions with regard to the timing of recoveries:

- July 2009 – 15%
- July 2010 – 30%
- July 2011 – 15%
- July 2012 – 10%
- July 2013 – 10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a Resolution Committee. Old Landsbanki's

affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100% could be achieved, and the authority has taken a mid point position and assumed recovery at 95% by 2012. The authority has therefore decided to make an impairment based on it recovering only 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing and subsequent lifting of orders made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the Resolution Committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to the maturity date of 20 October 2008.

Recognition in the I & E

The impairment recognised in the Income and Expenditure Account in 2008/09, £0.978m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £0.750m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.228m relates to interest which has been borne in full by the General Fund.

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2007/08 £	Received 2007/08 £	Credited 2008/09 £	Received 2008/09 £
Heritable	0	0	55,457	0
Landsbanki	53,054	0	119,535	0

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

Note 35 **Long-Term Investments**

At the end of 2008/09 £17m of the Council's PFI grant receipts (£33.103m) had been invested long-term. Interest accruals of £1.669m are disclosed within the carrying amount. The balance of £0.002m represents the Council's investment in RBT (Connect) Ltd.

Note 36 **Stocks and Work in Progress**

Stock held was valued, in accordance with the principles set out in the Statement of Accounting Policies, at £448,538 as at 31 March 2009 (£446,903 as at 31 March 2008).

Note 37 **Debtors and Payments in Advance**

An analysis of debtors which fall due within one year are as follows:

2007/08 £000		2008/09 £000
2	Ratepayers	2
43	Community Charge	43
4,735	Council Tax	5,258
1,131	Business Rates	1,472
2,660	Housing Tenants	2,884
61,565	Other Sundry Debtors	50,059
70,136		59,718
-5,676	<u>Less</u> Provision for Bad and Doubtful Debts	-6,024
64,460		53,694

Note 38 **Creditors and Receipts in Advance**

An analysis of creditors which are due and payable within one year are as follows:

2007/08 £000		2008/09 £000
-45,108	Government Departments	-40,854
-6,391	HMRC	-5,875
-6,898	Other Public Sector Organisations	-8,670
-48,046	Other Sundry Creditors	-48,361
-106,443		-103,760
-934	Receipts in Advance	-810
-107,377		-104,570

Note 39 **Deferred Liabilities**

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 98 of this Statement refers). As at 31 March 2009 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £15,630,377, comprising £730,927 maturing within one year and £14,899,450 after that date.

Note 40 **Analysis of Net Assets Employed**

The net assets (revenue and capital) employed at 31 March 2009 are as follows:

Restated 2007/08 £000		2008/09 £000
186,086	General Fund	167,389
810,267	Housing Revenue Account	646,671
270	Collection Fund	1,047
996,623	Total excluding Pensions Reserve	815,107
-232,457	Pensions Reserve *	-200,638
764,166	Total	614,469

*The Authority has concluded that it is unable to identify a consistent and reliable basis to split the assets and liabilities of the South Yorkshire Pension Scheme between the General Fund and Housing Revenue Account.

Note 41 **Investments – Related Businesses and Companies**

The Council is required to disclose information regarding its investment in businesses and companies. The information below discloses not only this information but details of other bodies which may not necessarily meet the definition of an investment but which the Council considers will be useful to a reader of the accounts.

(i) **RBT (Connect) Limited**

For detailed information see Long Term Contracts (Note 4).

Rotherham MBC's share of the results of RBT are consolidated in the Group Accounting Statements later in this document.

(ii) **2010 Rotherham Ltd**

In November 2004 the Council established 2010 Rotherham Ltd, a company limited by guarantee. It is an Arms Length Management Organisation (ALMO) that is entirely owned by the Council and set up to manage and improve housing stock. It is a non profit organisation which has taken on the day to day responsibility of managing, repairing and improving the neighbourhoods of Rotherham.

Details from the accounts for period ending 31 March 2009 are as follows:

31 March 2008 £000		31 March 2009 £000
43,419	Turnover	37,369
-2,337	Profit (+)/loss(-) before taxation	-5,674
-2,309	Profit (+)/loss(-) after taxation	-5,689
-595	Net Assets	-1,719

The results of 2010 Rotherham Ltd are consolidated in the Group Accounting Statements later in this document.

During the financial year the Council paid a management fee of £7.457m to 2010 Rotherham Ltd whilst the company purchased services from the Council totalling £2.063m. As at 31 March 2009 a sum of £7.484m was payable by 2010 Rotherham Ltd to the Council and £10.301m was owed from the Council to 2010 Rotherham Ltd.

(iii) Arpley Gas Limited

On 27 February 2008 the Council entered into a Joint Venture with Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd setting up the company under the Environment Protection Act 1990 for the purpose of carrying out waste disposal work and civic amenity site management.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £1.850 million

Council's Shareholding:

- a) For voting purposes – the Council owns one-third of the company's 'A' shares (666 shares costing £6.66) which collectively comprise 20% of its total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.
- c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total.

The company will produce its first accounts for the period from the date of incorporation to 31 March 2009. At the time this statement was prepared Arpley's first accounts were not available.

No contributions to running costs were made by Rotherham MBC to Arpley Gas Limited during the financial year ended 31 March 2009.

(iv) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004. Its principal activities are enhancing the accommodation and facilities available in school premises, and promoting the community use of those facilities.

The company is comprised of three members, Rotherham MBC, Transform Schools (Rotherham) Ltd and Rotherham Primary Care Trust. There is no controlling party, the Company being Limited by Guarantee and not having any shares or shareholders.

No contributions to running costs were made by Rotherham MBC to Building Learning Communities Ltd during the financial year ended 31 March 2008.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are the most up to date available.

Restated 31 March 2007 £000		31 March 2008 £000
91	Turnover	88
8	Profit(+)/Loss (-)	2
8	Profit(+)/loss(-) after taxation	2
-5	Net Liabilities (-)	-3

Building Learning Communities Ltd provided services to the Authority to the value of £11,078 (2007/08 £6,885) and incurred charges from the Council of £17,479 (2007/08 £15,622).

A copy of the accounts of the company may be obtained from Mr I Gledhill, Civic Buildings, Walker Place, Rotherham, S60 2AJ.

(v) Creswell Groundwork Trust

Creswell Groundwork Trust is a charity and a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Derbyshire County Council, Bolsover District Council, Bassetlaw District Council and Rotherham Metropolitan Borough Council.

The company's principal activities are the promotion of conservation, protection and improvement of the physical and natural environment, to provide facilities in the interests of social welfare and to advance public education.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are the most up to date available.

31 March 2007 £000		31 March 2008 £000
4,137	Turnover	3,770
100	Surplus(+)/Deficit(-) for the year	-42
762	Net Assets	720

Rotherham Metropolitan Borough Council's contribution to the company during 2008/09 was nil (2007/08 nil).

Creswell Groundwork Trust provided no services to the Authority (2007/08 £40,865) and incurred no charges (2007/08 £177).

A copy of the accounts of the company may be obtained from Mr TM Witts, 96 Creswell Road, Clowne, Chesterfield S43 4NA.

(vi) Digital Region Ltd

Digital Region Ltd is the company invested in by the Council together with Sheffield City Council, Barnsley Metropolitan Borough Council, Doncaster Council and Yorkshire Forward to manage and operate a next generation broadband infrastructure in the South Yorkshire region and to undertake the promotion of the network to the service provider market.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £2,000

Council's Shareholding:

- a) For voting purposes – the Council owns 5.06% of the company's 1,500 'A' £1 voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 5.06% of the company's 500 £1 class 'B' shares – no voting rights are attached to these shares.

The Council entered into an agreement for the above service delivery on 29 April 2009.

The company will produce its first accounts for the period from incorporation to 31 March 2010.

(vii) Groundwork Dearne Valley Limited

Groundwork Dearne Valley is a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Rotherham Metropolitan Borough Council.

The board comprises of five directors appointed by members, with the Council able to nominate one, and up to six co-opted directors.

The principal activity of the company is to complement the work of the three Local Authority members in carrying out environmental regeneration by involving local residents in the long-term management of their environment, attracting funding in the area to carry out the work, and developing innovative approaches to regeneration.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are the most up to date available.

31 March 2007 £000		31 March 2008 £000
2,426	Turnover	2,313
-51	Surplus(+)/Deficit(-) for the year	-376
-161	Net Assets	-537

Rotherham Metropolitan Borough Council's contribution to the company during 2008/09 was £60,000 (2007/08 – £60,000).

Groundwork Dearne Valley Limited continued to receive payroll services from the Authority during 2008/09 and provided services to the Authority to the value of £314,112 (£544,575 in 2007/08) and incurred charges of (£914,465).

A copy of the accounts of the company may be obtained from the Borough Secretary's Office, Barnsley MBC, Town Hall, Barnsley S70 2AQ.

(viii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to provide facilities for recreational and other leisure time

occupation for the public at large in the interests of social welfare and to preserve buildings of historical importance to British industry.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are based on the company's accounts for the year ending 31 March 2008.

31 March 2007 £000		31 March 2008 £000
5,632	Turnover	4,117
11	Surplus(+)/Deficit(-) for the year	-2,008
24,392	Net Assets	22,384

During the financial year ended 31 March 2009, the company provided services to the Authority to the value of £152,761 (2007/08 £113,991). A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £255,000 was still outstanding as at 31 March 2009. A further loan of £200,000 was issued in 2008/09 and was still outstanding at 31 March 2009. Magna incurred charges from the Council of £65,139 (2007/08 £46,263).

A copy of the accounts can be obtained from Mr P. N. Firth, Magna, Sheffield Road, Templeborough, Rotherham, S60 1DX.

(ix) The Northern College for Residential Adult Education Limited

The Northern College for Residential Adult Education Limited was set up in 1978, by a consortium of local authorities and trade unions to provide long term residential education for adults. The company previously comprised six full members, the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds, and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members.

The College Company has been reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company.

The mission of the company includes: 'To provide high quality learning experiences for adults who have had little or no opportunity for education and training.'

The latest results available for the Northern College are for the year ended 31 July 2008 and are as follows:

31 July 2007 £000		31 July 2008 £000
5,357	Income	6,967
-64	Surplus(+)/Deficit(-) for the year	-111
1,131	Net Assets	353

Rotherham MBC made a contribution of £15,000 towards the running costs of the company during 2008/09 (2007/08 £15,000).

During the financial year ended 31 March 2009, the company provided services to the Authority to the value of £7,118 (2007/08 £1,872) and incurred charges from the Authority of £150 (2007/08 nil).

A copy of the accounts can be obtained from The Principal, The Northern College for Residential Adult Education Limited, Wentworth Castle, Stainborough, Barnsley S75 3ET.

(x) Phoenix Enterprises (Rotherham) Ltd

This company commenced trading on 1 June 1998 and its principal activity is “the management and delivery of the New Deal initiative in Rotherham and North Derbyshire, and the development of community and social enterprise in Rotherham”.

Phoenix Enterprises (Rotherham) is a company limited by guarantee. It has three members: - Rotherham Chamber of Commerce, Lifetime Careers and Rotherham Metropolitan Borough Council.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are the most up to date available.

31 March 2007 £000		31 March 2008 £000
3,398	Turnover	2,786
-301	Profit (+) / Loss (-) before taxation	15
-301	Profit after taxation	15
585	Net Assets	920

Rotherham Borough Council's grants to and payments for services provided by the company during 2008/09 was £216,231 (2007/08 £200,151), and incurred charges of £1,512 (2007/08 £3,390).

A copy of the accounts of the company may be obtained from the company at the Head Office, Old Vicarage Lane, All Saints Church Yard, Vicarage Lane, Rotherham, S65 1AA.

(xi) Renaissance South Yorkshire Ltd

Renaissance South Yorkshire Ltd was incorporated on 15 April 2004 and is a company limited by guarantee. The members of the company are the four South Yorkshire Authorities and Yorkshire Forward. The company has responsibility for a delivery framework for South Yorkshire and directly manages relevant flagship projects to promote the economic and environmental well being of the South Yorkshire sub-region.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2009 were unavailable and the following details are the most up to date available.

31 March 2007 £000		31 March 2008 £000
9,163	Income	23,493
8	Surplus on Ordinary Activities before Taxation	11
0	Net Assets	0

Rotherham MBC did not make a contribution to the running costs of this company during 2008/09, but incurred charges from the Council of £102,108 (2007/08 £31,810).

This company ceased trading on 31 March 2009.

A copy of the accounts of the company may be obtained from Renaissance House, Adwick Park, Wath-upon-Dearne, Rotherham, S63 5NB.

(xii) Rotherham Renaissance Limited

Rotherham Renaissance is a private company limited by shares formed on 21 September 2005, since when it has remained dormant.

The company was formed as a vehicle for future regeneration activities.

The authorised share capital is 1,000 £1 shares of which one share has been issued and is held by the Council.

No accounts have been or will be prepared for the period 21 September 2005 to 31 March 2008 or for the year to 31 March 2009.

(xiii) YHGfL Foundation

YHGfL Foundation was incorporated on 9 December 2002 and is a company limited by guarantee. Its membership comprises Rotherham MBC, Calderdale MBC, Doncaster MBC, East Riding of Yorkshire Council, Kingston upon Hull CC, Kirklees MBC, Leeds CC, North East Lincolnshire Council, North Lincolnshire Council, North Yorkshire County Council, Sheffield CC, Wakefield City MDC.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2009 were unavailable and the following details are the most up to date available.

31 March 2007 £		31 March 2008 £
4,648	Turnover	2,966
-22	Profit (+) / Loss (-) before taxation	59
-22	Profit after taxation	59
33	Net Assets	92

Rotherham MBC did not make a direct contribution to the running costs of this company during 2008/09.

During the financial year ended 31 March 2009, the company provided services to the Authority to the value of £9,892 (2007/08 £5,711) and incurred charges of £323 (2007/08 nil).

A copy of the accounts of the company may be obtained from the company at Normanby Gateway, Normanby Enterprise Park, Lysaghts Way, Scunthorpe, North Lincolnshire, DN15 9YG.

(xiv) Yorkshire Purchasing Organisation

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. Rotherham is one of thirteen local authority members.

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2008 were unavailable and the following details are the most up to date available.

31 December 2006 £		31 December 2007 £
92,590	Turnover	93,749
449	Surplus (+) / Deficit (-)	756
13,984	Net Assets	13,523

Rotherham MBC did not make a direct contribution to the running costs of this company during 2008/09.

During the financial year ended 31 March 2009, the company provided services to the Authority to the value of £2,212,029 (2007/08 £2,234,807) and incurred charges of £100 (2007/08 nil).

A copy of the accounts of the company may be obtained from Unit 41, Industrial Park, Wakefield, WF2 0XE.

Note 42 Contingent Assets

Three year time limit for VAT claims

The recent House of Lords decisions in the cases of Michael Fleming (t/a Bodycraft) - v- HMRC (Fleming) and Condé Nast Publications Ltd -v- HMRC (Condé Nast) disapplied the three year time limit for input tax claims in respect of which the entitlement to deduct accrued before 1 May 1997.

HMRC consider that the terms of the judgment also apply to claims to recover VAT overpaid or overdeclared in accounting periods ending before 4 December 1996.

As a result the Council has made several claims to HMRC to recover output tax overpaid or overdeclared in accounting periods ending before 4 December 1996 in respect of following services:

- Off Street Car Parking, Car Parking, Library charges, Home Improvement / Disabled Facilities Grant Administration Fees and Sports

The total value of claims made is in the region of £2.046m.

Note 43 Provisions

The Code of Practice on Local Authority Accounting in Great Britain requires proper provisions to be made for any liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise.

Details of the provisions included in the Council's accounts as at 31 March are as follows:

2007/08 £000		2008/09 £000
4,921	Insurance	5,315
	Section 11/82 Disrepair Claims –	
85	Housing Revenue Account	25
13	Section 117 Payments – Social Services	0
287	Landfill Trading Allowances (LATS)	360
2,589	Provisions pending legal settlement	15,606
7,895	Total	21,306

Insurance

The overall Insurance Fund balance shown in the accounts (inclusive of the reserve part – see Note 51 below) is net of amounts (2008/09 nil, 2007/08 £18,730) that have been advanced internally on a short-term repayable basis.

The Council has carried out a complete retender of its insurance arrangements. Both property and liability risks are now insured by AIG Europe (UK) Ltd. The contract is for a three years with a two year optional extension.

Only Engineering Inspection and Small Craft have again been arranged through Zurich Municipal.

There have been no significant changes regarding internally and externally-insured risks, and hence no significant changes to the operation of the Council's Insurance Fund.

(a) Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers' liability, up to an agreed threshold per claim. Consequently, the Authority meets the first £100,000 of every settlement. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer and bears 20% of all claims up to a stop-loss limit of £400,000 in any one period of insurance.

The Fund bears the first £50,000 of all claims involving municipal and housing property, and the first £100,000 of all claims involving education property.

(c) Motor

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

(d) Council House Fires

The Fund bears all costs to repair fire damage on a full reinstatement basis. Blocks of flats above three storeys remain with the external insurer.

(e) Council Flats – Added Perils

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

(f) ICT Equipment

Where requested by the school, ICT equipment is insured in the Fund on an all-risks basis. Responsibility for insurance of departmental ICT equipment now rests with the Council's Strategic Partner, RBT (Connect) Ltd.

(g) Other Equipment

Where requested by the school, musical instruments, television and video equipment, Youth and Community and departmental office equipment are insured on the Fund on an all-risks basis. In addition schools can insure many other items if desired.

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

Schools PABX Equipment
Time on Risk Cover
York and Lancaster Exhibition

Section 11/82 Housing Disrepair Claims: Housing Revenue Account

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/4. Provision was initially made for legal costs of the cases outstanding at the end of March, 2004. A large number of cases were resolved between 2004/5 and 2007/8. The current number of live cases stands at 2 as at the end of March 2009. Due to the reduction in the number of claims being received and legal costs incurred the provision has been reduced to £25k.

Mental Health Act 1983 Section 117 – Social Services

Section 117 of the Mental Health Act 1983 provides that Local Authorities have a duty to provide aftercare for people detained under the Mental Health Act. Legal advice obtained in 1995 by the Council indicated that as it is a statutory duty Local Authorities should not charge for these Aftercare Services and the Council ceased to charge from that date. Many Authorities continued to charge having obtained conflicting advice.

The legal position has been clarified confirming charges should not be made and the Ombudsman has also advised that Local Authorities should take reasonable steps to establish which people might have been overcharged and to reimburse them. A search indicated a sum of £26,000 was payable to those individuals overcharged prior to the Council ceasing to charge for these services. The final amount was paid in 2008/09. All re-imburements have now been made.

Landfill Allowance Trading Scheme

Subsequent to the SORP guidance being clarified the Council has acknowledged that the liability arising from actual landfill usage should be recognised as a provision.

Note 44 Government Grants Deferred

This account recognises any capital grants and contributions which the authority has used to finance the acquisition or enhancement of those fixed assets which are subject to depreciation. The grants and contributions are released to revenue in line with the depreciation charge.

Restated 2007/08			2008/09	
£000	£000		£000	£000
57,042		Balance 1 April	61,857	
<u>-5,157</u>	51,885	Prior year adjustments	<u>0</u>	61,857
47,612		Grants applied to capital investment in the year	28,411	
-12,372		Government Grants written down	-2,301	
		Amounts transferred between the Capital Adjustments Account and Government Grants Deferred Account	<u>0</u>	26,110
<u>-25,268</u>	9,972			
	61,857	Balance 31 March		87,967

Note 45 **Unapplied Capital Grants/Contributions**

Unapplied Capital Grants and Contributions relate to sums used to fund capital expenditure, the main item being Major Repairs Reserve.

2007/08 £000		2008/09 £000
23,551	Balance 1 April	23,639
47,700	Amount receivable in the year	49,019
-47,612	Amount applied to finance new capital investment	-55,257
88	Total increase/decrease(-) in realised capital resources in the year	-6,238
23,639	Balance 31 March	17,401

Note 46 **Other Contingent Liabilities**

(a) (i) Municipal Mutual Insurance Ltd (MMI)

In 1992, when MMI declared that it was insolvent, the company's creditors entered into a Scheme of Arrangement whereby the company would continue to meet claims. However, if at any time the company were to be unable to meet claims creditors would be liable for payment of 20% of total claims to date over a £50,000 threshold. As at 31 March 2009 the Authority had lodged claims of £3,925,497 above the threshold giving a maximum liability under the Scheme of £775,099.

a) (ii) Municipal Mutual Insurance Ltd (MMI) - Ex. South Yorkshire County Council

In 1992, when MMI declared that it was insolvent, the company's creditors entered into a Scheme of Arrangement whereby the company would continue to meet claims. However, if at any time the company were to be unable to meet claims creditors would be liable for payment of 20% of total claims to date over a £50,000 threshold. As at 31 March 2009 the Authority had lodged claims of £4,104,638 above the threshold giving a maximum liability under the Scheme of £810,928.

The Council is also responsible for the run-off of the South Yorkshire Residuary Body (SYRB) which is also part of the above MMI Scheme of Arrangement. As at 31 March 2009 the SYRB Authority had lodged claims of £1,647,628 above the threshold giving a maximum liability under the Scheme of £319,526. The SYRB

winding up order makes provision for apportioning among the four councils in the county any sums paid by Rotherham.

(b) Bramley Depot - Wood Preservative Leak

During 2003/2004 a leak of wood preservative caused damage to the former site of the Building Works depot at Bramley. On advice of consultants the damage was made good to minimum Environment Agency standards and the pollution contained. It is not anticipated that any more remedial work will be needed to contain the contamination unless ongoing sampling and monitoring works dictate otherwise. Additional work would be required if the Authority wished to use the land for a purpose requiring a higher standard. The Authority is currently considering the future use of the land but no decision has yet been reached. Until such a decision is made the future cost of making the site fit for its eventual purpose is unquantifiable. Although uncertainty over the future commitment of expenditure currently depends upon an internal decision of the Council at some future date environmental standards may be tightened requiring additional Council expenditure.

Neighbourhoods and Adult Services have declared this site surplus to their service requirements and the site has been transferred into the Land and Property Bank.

(c) Maltby Landfill Site

Ibstock Brick Ltd have issued court proceedings against the Council to claim for an alleged failure of the Council to comply with certain obligations contained within the waste disposal licence applying to the former Maltby Landfill Site. The Council is contesting the claim in respect of a number of the alleged failures contained within the particulars of the claim.

Note 47 **Euro Costs**

The Authority remains a member of the CIPFA Euro Forum. To date no detailed, costed changeover plan have been prepared, nor have any material sums been spent on preparations.

Note 48 **Trust Funds**

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

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

	Balance as at 1 April 2008 £	Income £	Expenditure £	Balance as at 31 March 2009 £
Treeton Council School War Memorial	462	27	0	489
EJ Butland, Treeton Infants	378	27	0	405
Whiston Two Wars Memorial	171	107	0	278
Total	1,011	161	0	1,172

Trust Funds – Balance Sheet as at 31 March 2009

2007/08 £		2008/09 £
	Assets	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
29	- Debtors	44
982	- Cash	1,128
1,361	Total Assets	1,522
	Financed by:	
350	- Fund Balance	350
1,011	- Accumulated Investment Interest	1,172
1,361	Total Equity	1,522

The investments referred to above relate to War Loan Stock.

Note 49 **Total Movement in Reserves**

Reserve	Restated Balance 1 April 2008 £000	Transfers in / from Reserve £000	Balance 31 March 2009 £000	Purpose of the Reserve	Further detail of movements
CAPITALRESERVES					
Revaluation Reserve	78,479	7,848	86,327	Unrealised gains from holding fixed assets	See Note (50b)
Capital Adjustment Account	860,105	-182,538	677,567	Balancing mechanism between depreciation rates and finance charged	See Note (50a)
Available-for-sale Reserve	0	0	0	Holding gains and losses arising from carrying available-for-sale assets at fair value	See Note (50c)
Financial Instruments Adjustment Account	-736	-554	-1,290	Holding the difference between financing costs in the I & E and in the General Fund Balance	See Note (50d)
Capital Receipts Reserve	6,032	321	6,353	Proceeds of fixed assets available to meet future capital investment	See Note (50e)
Major Repairs Reserve	0	320	320	Resources available to meet capital investment in council housing	See HRA statements Note 3, page 91
Deferred Capital Receipts	169	-22	147	See Note 27 above	
REVENUE RESERVES					
General Fund	13,994	-3,877	10,117	Resources available to meet future running costs for non housing services	See Statement of Movement on the General Fund Balance, page 28
Pensions Reserve	-232,457	31,819	-200,638	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note (51e)
Housing Revenue Account	6,480	-287	6,193	Resources available to meet future running costs for council houses	See HRA statements, page 90
Other Reserves	31,830	-3,504	28,326	Various earmarked reserves holding resources for specific purposes	See Note 49a below
Collection Fund	270	777	1,047	Resources to be distributed to billing and precepting authorities	See Collection Fund, Note 5, page 97
Total	764,166	-149,697	614,469		

Note (a) Movement on Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Other Reserves £000	Pensions Reserve £000
Surplus (+)/deficit (-) for 2008/09	-1,933	-287	0	0	0
Transfers in (+)/out (-) in the year	-5,465	0	777	931	0
Appropriations to (+)/from (-) revenue	3,521	0	0	-4,435	0
Actuarial gains and losses relating to pensions	0	0	0	0	31,819
Balance brought forward at 1 April 2008 (Restated)	13,994	6,480	270	31,830	-232,457
Balance carried forward at 31 March 2009	10,117	6,193	1,047	28,326	-200,638

Note 50 Capital Reserves

Accounting practice in local government requires the use of a number of technical and complex capital accounts, some of which are unique to local authorities. The SORP introduced changes to local authority capital accounting balances from 2007/08 in a move towards making local authority balance sheets more comparable to those of other organisations.

From 2007/08, local authorities were required to maintain a Revaluation Reserve to reflect the level of unrealised gains to the value of fixed assets included in their balance sheet, but this will only include revaluation gains from 2008/09 onwards.

A further new account called the Capital Adjustment Account was also introduced, reflecting all reserve movements arising from capital accounting legislation specific to local authority accounting.

(a) **Capital Adjustment Account**

The Capital Adjustment Account is used to reflect those capital accounting reserve entries required by the local authority capital accounting regime which are outside normal UK GAAP. It contains the amount of capital expenditure financed from revenue, capital receipts, capital grants and capital contributions. It also contains appropriations to the Income and Expenditure Account where the total of depreciation and impairment exceeds the Authority's Minimum Revenue Provision (MRP) for debt repayment. The account is used to write down deferred charges, deferred considerations arising from the contribution of assets to private finance initiative (PFI) contracts, deferred payments relating to the acquisition of assets at the close of PFI contracts, and long term debtors and investments. In addition the carrying value of fixed assets disposed of during the year is written off to the account, along with any accumulated revaluation gains that are transferred from the revaluation reserve.

2007/08			2008/09	
£000	£000		£000	£000
931,088		Balance 1 April	860,105	
<u>7,604</u>	938,692	Prior Year Adjustments	<u>0</u>	860,105
		Other movements:		
		Value of Assets sold, disposed of or decommissioned	-3,271	
-6,025		Depreciation/amortisation of assets	-28,541	
-29,751		Impairment of Fixed Assets	-179,272	
-97,840		Capital Receipts set aside during the year	3,120	
5,915		Capital expenditure financed from revenue	1,600	
4,101		Minimum Revenue Provision	6,942	
6,005		Major Repairs Reserve applied	12,915	
20,606		Creation and writing down of PFI deferred consideration/writing on of PFI Long Term Debtor	7,475	
2,590		Government Grants Deferred written down	2,301	
12,372		Amounts transferred between the Capital Adjustments Account and Government Grants Deferred Account	26,846	
25,268		Deferred Charges written out in year	<u>-32,653</u>	-182,538
<u>-21,828</u>	-78,587			
	860,105	Balance 31March		677,567

(b) Revaluation Reserve

The Revaluation Reserve represents the level of revaluation gains on the Authority's fixed assets from 1st April 2007 onwards. The balance of any revaluation gains in the reserve relating to assets disposed of is transferred to the Capital Adjustment Account at the point of disposal.

Restated 2007/08 £000		2008/09 £000
0	Restated Balance at 1 April	78,479
83,367	Revaluation of Fixed Asset	8,902
-4,888	Accumulation of revaluations on disposals	-1,054
78,479	Balance at 31 March	86,327

(c) Movements in Available-for Sale Reserve

This reserve has been opened to hold the gains and losses arising from the policy of carrying available-for-sale financial assets at fair value. At the 31 March 2009 the Council held no financial assets classified as available-for-sale.

2007/08 £000		2008/09 £000
0	Balance at 1 April 2008	0
0	Movement in year	0
0	Balance carried forward at 31 March 2009	0

(d) Financial Instruments Adjustment Account

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

General Transactions

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

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

Icelandic Banks

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £0.978m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered.

The Authority has taken advantage of the Capital Financial regulations to defer the impact of the impairment on the General Fund, and a sum of £0.750m has been transferred to the Financial Instruments Adjustment Account. The balance of £.228m relates to interest which has been borne in full by the General Fund.

2007/08 £000		2008/09 £000
0	Balance at 1 April	736
	Movement in year	
724	Premium and discounts	-189
12	Soft Loans	-7
0	Icelandic Banks	750
736	Balance carried forward at 31 March	1,290

(e) Capital Receipts Reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, where it is split between usable and reserved elements. The reserved element is paid over to the government's national pool for redistribution back to local authorities. The usable element can be applied to the financing of new capital expenditure or remain in this account.

2007/08 £000		2008/09 £000
3,186	Balance at 1 April	6,032
8,920	Amount receivable in the year	3,441
-6,074	Amount applied to finance new capital investment	-3,120
2,846	Total increase in realised capital resources in the year	321
6,032	Balance carried forward at 31 March	6,353

Note 51 Revenue Reserves

	Balance as At 1 April 2008 £000	Surplus (+)/Deficit (-) in Year £000	Transfers in And Contributions To Reserves £000	Transfers out And Contributions From Reserves £000	Balance as At 31 March 2009 £000
General Fund					
Total (excluding Schools)	6,630	518	3,521	-5,465	5,204
Schools Delegated Budgets	7,364	-2,451	0	0	4,913
Total General Fund	13,994	-1,933	3,521	-5,465	10,117
Trading					
Insurance	2,195	0	27	-744	1,478
Total – Trading	2,195	0	27	-744	1,478
Repayable					
Energy Conservation	597	0	0	-125	472
Invest to Save	733	0	49	-187	595
Total – Repayable	1,330	0	49	-312	1,067
Other Earmarked					
Museum	38	0	3	-1	40
RERF	281	0	66	0	347
Maintenance of Buildings	414	0	11	0	425
Statutory Costs	474	0	0	-468	6
Winter Conditions (Environmental & Development Services)	154	0	0	0	154
Property Asset Bank	118	0	9	-127	0
Managed Workspace R&R	164	0	0	-164	0
Commutation Adjustment	8,532	0	0	-422	8,110
CENT ICT Refresh	111	0	0	-10	101
Pupil Retention	39	0	0	-39	0
Housing Improvement Programme	28	0	1	0	29
Dispersed & Furnished Units	55	0	14	0	69
Furnished Homes	245	0	0	-179	66
Total – Earmarked	10,653	0	104	-1,410	9,347
Ring-fenced					
Asylum Seekers	650	0	0	-118	532
Housing Revenue Account	6,480	-287	0	0	6,193
Housing (Major Repairs Reserve)	0	0	320	0	320
Schools' Declared Savings	739	0	22	-148	613
PFI – Schools	15,953	0	0	-887	15,066
PFI - Leisure	0	0	223	0	223
Landfill Allowance Trading Scheme	310	0	506	-816	0
Total – Ring-Fenced	24,132	-287	1,071	-1,969	22,947
Total – excluding General Fund	38,310	-287	1,251	-4,435	34,839
Total Reserves	52,304	-2,220	4,772	-9,900	44,956

The sum of £4.913m relating to the cumulative underspending on school delegated budgets is earmarked for use by those schools and cannot be used for any other purpose.

The following brief descriptions relate to significant Reserves not described elsewhere.

(a) Trading

Insurance

That part classified as a Reserve (as distinct from a Provision – see Note 43) is earmarked to meet future potential and contingent liabilities. The Council has agreed to the use of part of this Reserve element to fund specific initiatives on a repayable with interest basis whilst being able to finance future potential commitments. The balance shown as a reserve is net of any such advances outstanding.

(b) Repayable

(i) Energy Conservation

This reserve has been set up to provide initial investment for energy conservation work. It is anticipated that such investment will generate long term savings. Money is advanced to spending services and is repaid over a predetermined period, the repayments generating resources for further investment.

(ii) Invest to Save

This fund was established to stimulate a number of creative and innovative developments in service delivery.

(c) Other Earmarked

(i) Libraries and Museum

These reserves were created principally for the Rotherham Museum to enable the purchase of exhibits that come onto the market on an irregular basis.

(ii) RERF (Economic Regeneration)

Set up to defray the costs associated with supporting/funding externally funded schemes across several financial years and facilitating the economic regeneration of the borough, and to allow carry forward of funds on an annual basis.

(iii) Maintenance of Buildings

Set up to defray the cost of Maintenance of Buildings across the Council by focussing on a more corporate and strategic approach.

(iv) Statutory Costs

Used for any extraordinary legal costs not covered within the Revenue Budget.

(v) Winter Conditions

Set up to alleviate the costs of winter maintenance activities associated with the impact of severe winter weather conditions.

(vi) Property Asset Bank

This reserve was set up to defray the costs associated with securing, maintaining and ultimately marketing an asset for future use or sale. De-minimis sales contribute to the Property Asset Bank. Major asset sales contribute towards the capital programme.

(vii) Managed Workspace Repairs and Renewals

This reserve was created to defray the replacement cost of vehicles, plant and equipment in managed workspaces.

(viii) Commutation Adjustment

This reserve was created to provide funding in future years when the commutation adjustment becomes a cost to the General Fund. It is also used to support one off budgetary initiatives and pressures.

(ix) CENT ICT Refresh

This reserve is to be used to replace ICT equipment at CENT@Magna when the existing equipment is no longer viable. The equipment at CENT needs to be state of the art to ensure it meets the client's requirements in a fast evolving environment.

(x) Pupil Retention

Funding is taken from School budgets when a pupil is permanently excluded and is used to provide educational support. Funding is then reallocated to Schools when these pupils are placed back in school. The funding is also used in collaboration with head teachers to reduce the number of permanent exclusions. This reserve was closed on 31 March 2009.

(xi) Housing Investment Programme

This reserve was created for two schemes from the 2006/7 HIP programme which were part of the HIP's role in enabling decent affordable housing in the private sector. During 2008/9 some of these funds were utilised under the Rent Deposit scheme. The reserve has been increased for Works in Default in 08/9 as a result of payments being received relating to 07/8, when the reserve had been used to support Works in Default.

(1) Rent Deposit Guarantee Scheme £11,446

Provides rent deposit guarantees for such accommodation and will only be required if a tenant defaults on their payment.

(2) Works in Default £17,401

Enables Environmental Health Officers to force private landlords into doing improvements on their properties. This will only be used if they default on the agreement.

(xi) Dispersed units

This reserve was set up in 07/8 to enable continued funding and extension of the Furnished Homes arrangement within GF. Income from charges raised to replace furniture and fixtures at temporary units for the homeless is ring-fenced to the service area. Expenditure covers provision and replacement of a range of furnished packages at temporary units for the homeless. A programme of refurbishment of the units is planned for 2009/10 and beyond. This service sits alongside the furnished accommodation scheme operated in the HRA to help support the establishment of vulnerable tenancies.

(xii) Furnished Homes Scheme Reserve

This reserve has been created to enable continued funding and extension of the Furnished Homes arrangements within the Housing Revenue Account. Expenditure covers the provision and replacement of a range of furnished packages, enabling those on low incomes to acquire furniture and household goods at affordable charges.

(xiii) Unequal Pay Back Pay Account

This reserve recognises that unequal pay claims can take some years to settle.

(d) Ring-fenced

(i) Asylum Seekers

This reserve was set up to accommodate a front loaded grant which was superseded by a new scheme in 2006/7. The scheme was designed to produce a profit in the early years by incorporating efficient use of resources. A balance is required to cover fixed costs if Asylum numbers fall, and for an exit strategy. The contract is due to end in May 2011. At the end of the scheme it is anticipated this reserve will have been used up.

The fund is also being utilised to support failed and destitute asylum seekers with community care needs.

The reserve has been reduced for the year 2008/09. It has provided support for failed and destitute asylum seekers with community care needs and for other additional costs including supporting single people for whom a lower fee is paid.

(ii) Housing Major Repairs Allowance

Allocation from Government held pending application to carry out major repairs on Council housing.

(iii) Schools' Declared Savings

Under the Authority's Scheme for the Local Management of Schools, all Primary, Secondary and Special Schools are allowed to invest, internally with the Authority, sums set aside from their delegated budgets, for use in future years. Interest can be earned on such savings. These sums were initially allocated to schools as part of their formula-funded budgets and are, therefore, exclusively earmarked for use by those same schools in the future.

(iv) PFI

Schools

This PFI arrangement will last for 30 years. The reserve recognises the fact that funding received in the early years is in excess of expenditure, but that expenditure will rise significantly after all schools have been delivered.

Leisure

This PFI arrangement will last for 33 years and 3 months. The reserve recognises the fact that funding received in the early years is in excess of expenditure, but that expenditure will rise significantly after all schools have been delivered.

(v) Landfill Allowance Trading Scheme

This Reserve has been established to hold amounts required to meet future Landfill Allowance Trading Scheme liabilities. Details are as follows:

2007/08			2008/09	
Tonnes	£000		Tonnes	£000
119,458	597	Current Asset: Fair Value of recognised allowances	39,981	360
57,445	287	Provision: Recognised Landfill usage	39,981	360
62,013	310	Reserves: Balance of Landfill Allowances at Market Value	0	0

(e) Pensions Reserve

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2009. Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 17 of the Core Financial Statements.

Note 52 Reconciliation of Net Revenue Cash Flow

Elements of the cash flow statement can be reconciled to the Income and Expenditure Account as follows:

	£000	£000
Deficit per Income and Expenditure Account		204,758
<u>Items on an accrual basis:</u>		
Increase in Stocks and Work-in-Progress	2	
Decrease in Debtors	-10,766	
Decrease in Creditors	2,807	
		-7,957
<u>Other items</u>		
Minimum Revenue Provision	6,942	
Capital Expenditure charged to Revenue	1,600	
Decrease in Collection Fund Balance	-881	
Contribution to Provisions and Reserves	-6,063	
Depreciation and Impairment	-209,165	
Other non cash transactions	3,653	
		-203,914
Net Revenue cash inflow (-)		-7,113

The movement on debtors and creditors as shown above has been taken directly from the balance sheet and therefore includes some capital items. A compensating adjustment has been made to the figure given for 'other non cash transactions'.

Note 53 Movement in Net Debt

	£000
Cash(Increase) / Decrease 2008/09	-13,899
Less: Net Cash Outflow Before Financing	91,565
Cash (Increase) / Decrease from Movement in Net Debt	-105,464

Note 53 **Movement in Net Debt (continued)**

	£000
<u>Analysis of (Increase) / Decrease in Net Debt</u>	
Public Works Loans Board	35,689
Bonds	-67
Temporary Loans (excluding PWLB)	0
Short-term Investments	69,842
	105,464
Opening Net Debt at 1 April 2008	246,106
Closing Net Debt at 31 March 2009	140,642
(Increase) / Decrease in Net Debt	-105,464

Note 54 **Increase / (Decrease) in Cash**

	£000
Cash in hand as at 31 March 2009	15,876
<u>Add:</u>	
Cash in hand as at 31 March 2008	1,977
Cash Increase / (Decrease) in 2008/09	13,899

Note 55 **Liquid Resources**

These relate to the investment and borrowing of funds on a short-term basis of up to one year. The amount shown within the Statement under the heading of Management of Liquid Resources represents the difference between the opening and closing balances for Short-term Investments as shown in the Balance Sheet.

Note 56 **Government Grants**

The government grants shown on the Cash Flow Statement represent the cash received by the authority. They may differ from the amounts included within gross income figures in the Income and Expenditure Account, which is prepared on an accrual basis. This table summarises cash received as government grants:

	£000	£000
<u>Revenue</u>		
Dedicated Schools Grant	167,663	
Standards Fund	20,407	
Schools Standards Grant	9,217	
LSC Sixth Form Funding	9,276	
Early Years & Child Care Development	7,265	
Young Enterprise Project	498	
European Grants	3,157	
Single Regeneration Budget	902	
Housing Subsidies	53,924	
Area Based Grant	15,665	
PFI	6,223	
Supporting People	9,409	
Asylum Seekers Grant	1,358	
Social Care Reform Grant	470	
Other Adult Social Care Grant	172	
Various Learning & Skills Council Grants	2,327	
Various Youth Justice Board Grants	1,211	
Local Authority Business Growth Initiative	1,723	
Restoration Grant	1,359	
Other	<u>2,682</u>	314,908
<u>Capital</u>		
Standards Fund	14,083	
Department of Children, Schools & Families Early Years & Childcare Development	2,217	
Department of Children, Schools & Families Flood Grant	161	
Neighbourhood Learning in Deprived Communities	106	
Department for Transport	3,595	
Department of Communities & Local Government	898	
Department of Communities & Local Government – Objective 1	802	
Department of Environment Food & Rural Affairs	443	
Environment Agency	100	
Forest Commission	45	
Objective 1 – Magna Business	874	
ERDF – Dinnington Incubator	1,680	
Customer Service Centre	400	
SRB 6	166	
South Yorkshire Forest	15	
Yorkshire Forward	4,770	
South Yorkshire Intelligent Transport System	26	
Single Pot	488	
Department of Children, Schools & Families	640	
Department for Culture, Media & Sport	77	
Big Lottery	1,683	
Heritage Lottery Fund	472	
Pathfinder Grant	8,124	
Regional Housing Board	2,685	
Disabled Facilities Grant	842	
Air Quality Grant	20	
Safer Stronger Communities Fund	82	
National Indicator 160 payment	8	
Social Care Single Pot	130	
Social Care It Infrastructure	86	
Mental Health Single Capital	<u>147</u>	45,865

Note 57 **Post Balance Sheet Events**

The Authority is required to disclose under the principles of SSAP 17 Accounting for Post Balance Sheet Events any material adjustment or substitution which would alter any estimate or reflect a permanent impairment or betterment to the Authority's financial position. There are no Post Balance Sheet Events to disclose for 2008/09.

Note 58 **Section 106 Receipts**

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

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

Restated 2007/08 £000		Income £000	Expenditure £000	2008/09 £000
37	Dinnington Colliery Site – Highways works	0	2	35
220	Other – General Fund	-10	18	212
577	HRA	0	0	577
834	Total	-10	20	824

Note 59 **Authorisation**

This Statement of Accounts is authorised to be issued.



Strategic Director of Finance

Other Financial Statements and Notes to the Other Financial Statements

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

Metropolitan Debt Administration

Group Accounts

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. The Housing Revenue Income and Expenditure Account show the major elements of HRA expenditure and how they are met from rents, subsidy and other income. This income and expenditure does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The Statement of Movement on the Housing Revenue Account Balance gives details of the additional transactions which are required by statute.

Restated 2007/08 £000		2008/09 £000	Note
	Income		
53,492	Dwelling rents	54,102	
1,241	Non-dwelling rents	1,367	
1,959	Charges for services and facilities	1,874	
12,312	HRA subsidy receivable	13,235	
69,004	Total Income	70,578	
	Expenditure		
13,774	Repairs and maintenance	14,455	
7,378	Supervision and management	7,907	
7,128	ALMO Management Fee	7,564	
4	Rents, rates, taxes and other charges	120	
13,950	Negative subsidy-payments to Secretary of State	15,122	
343	Provision for bad or doubtful debts	186	8
117,060	Depreciation and impairment of Fixed assets	165,937	
1,258	Amortisation of Deferred Charges	117	9
184	Debt management costs	225	
161,079	Total Expenditure	211,633	
92,075	Cost of HRA Services as included in the whole Authority Income and Expenditure Account	141,055	
230	HRA services share of Corporate and Democratic Core	236	
277	HRA share of other amounts included in whole Authority Net Cost of Services but not allocated to specific services	283	
92,582	Net Cost of HRA Services	141,574	
70	Gain or loss on sale of HRA fixed assets	1,705	10
8,439	Interest Payable and similar charges	9,457	11
-687	Interest receivable	-370	
26	Pensions interest cost and expected return on pension assets	130	12
100,430	Surplus (-)/Deficit (+) for the year on HRA services	152,496	

Statement of Movement on the Housing Revenue Account Balance

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

Restated 2007/08 £000		2008/09 £000
100,430	Surplus/Deficit for the year on HRA Income and Expenditure Account	152,496
-98,319	Net Additional amount required by statute to be debited/credited to the HRA Balance for the year	-152,209
2,111	(Increase)/Decrease in the Housing Revenue Account Balance	287
-8,591	Housing Revenue Account surplus brought forward	-6,480
-6,480	Housing Revenue Account surplus carried forward	-6,193

Restated 2007/08 £000		2008/09 £000
0	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year Difference between interest payable and similar charges, including amortisation of premium and discounts determined in accordance with the SORP and those determined in accordance with statute	0
-97,265	Difference between any other item of income and expenditure determined in accordance with SORP and determined in accordance with statutory HRA requirements (if any)	-146,910
-339	Net contribution made for retirement benefits in accordance with FRS17	-405
-70	Gain or loss on sale of HRA fixed assets	-1,705
-97,674	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year	-149,020
4,085	Capital Expenditure funded by HRA	1,600
-6,501	Transfer to (+) / from (-) Major Repairs Reserve	-5,793
265	Employer's contributions payable to Local Government Pension Scheme and retirement benefits payable direct to pensioners	271
1,506	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income and expenditure in accordance with UK GAAP	733
-98,319	Net additional amount required by statute to be debited/credited to the HRA Balance for the year	-152,209

Notes to the Housing Revenue Account

Note 1 Housing Stock at 31 March 2009

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,220	2,792	5,016
2 Bedroom	1,996	2,826	1,906	6,728
3 Bedroom	8,681	300	44	9,025
4+ Bedroom	239	7	0	246
Total	10,920	5,353	4,742	21,015

Note 2 Housing Stock Valuations

(a) Operational Assets including Dwellings

	Council Dwellings £000	Garages and other assets £000
As at 1 April 2008	830,980	4,454
Additions in Year	70,242	510
Disposals and Demolitions	-3,471	0
Reclassification	-769	0
Revaluations in Year	8,185	25
Depreciation in Year	-18,878	-149
Depreciation Written back	19,530	154
Impairment	-188,234	-510
Net Book Value as at 31 March 2009	717,585	4,484

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

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

(b) Vacant possession

	£m
Value as at 1 April 2008	1,526

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

Note 3 Major Repairs Reserve

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

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). In 2008/09, the

depreciation charged to the account less the MRA of £13.235m equals the reversal of the depreciation figure shown below (£5.793m).

Restated 2007/08 £000		2008/09 £000
8,294	Balance as at 1 April	0
19,795	Depreciation in the year	19,028
-7,483	Reversal of depreciation in excess of MRA	-5,793
0	Adjustment to MRR in respect of Depreciation	0
-20,606	Financing of Capital Expenditure	-12,915
0	Balance as at 31 March	320

Note 4 Financing of Capital Expenditure

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

	2008/09 £000
Borrowing	55,018
Capital Receipts	483
Revenue Contributions	1,600
Government Grants/Other Capital Income	852
Major Repairs Reserve	12,915
Total	70,868

During the year total capital receipts of £2.062m were received by the HRA, of which £0.835m was available to support capital expenditure within the Council. To support the Housing Investment Programme (HIP) £0.483m of Right to Buy receipts were used leaving an accumulated balance of £3.823m unused.

To ensure that these items do not affect the amount of rent income from tenants that are required to balance the HRA budget, these costs are reversed out by means of an adjustment in the movement on the Housing Revenue Account Balance. This leaves the HRA to continue to bear its share of the Council's debt management and financing costs.

Note 5 Depreciation

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2008 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years in line with Government Guidance.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2008 and has been calculated using the 'straight line' method over 30 years.

Note 6 Impairment

An impairment charge of £146.910m has been included in the HRA Income and Expenditure Account (£97.265m in 2007/08). This charge is reflected in the HRA Income and Expenditure Account in assessing the deficit on HRA Services but reversed out in determining the movement on the HRA Balance.

Note 7 HRA Subsidy

2007/08 £000	Notional HRA for Subsidy Calculation	2008/09 £000
29,570	Management and Maintenance	31,948
12,312	Major Repairs Allowance	13,235
2,969	Rent Constraint Allowance	0
10,024	Charges for Capital	11,620
-11	Interest on Receipts	-8
0	Admissible Allowance	0
-56,436	Guideline Rent Income	-58,980
-1,572		-2,185
-66	Defects grant and prior year adjustments	24
-1,638	Notional Surplus (to be paid to Government)	-2,161

All councils are required to produce a notional HRA for subsidy calculation purposes using measures of income and expenditure determined by central Government. If there is a surplus on the notional HRA, that surplus has to be paid to central Government from the actual HRA. The notional HRA's net surplus, after allowing for receiving Major Repairs Allowance, to be paid to the Department of Communities and Local Government (DCLG) is shown above. The Rent Constraint Allowance (RCA) seeks to offset lost actual rental income brought about by the DCLG capping an Authority's average rent increase to 5% in 2006/07 and 2007/08.

Note 8 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2007/08 £000	Rent Arrears	2008/09 £000
969	Current Tenants	1,075
1,614	Former Tenants	1,809
2,583	As at 31 March	2,884

As at 31 March 2009, the level of rent arrears for current tenants as a proportion of gross rent income was 1.93% (1.76% 2007/08).

2007/08 £000	Bad Debt Provision in respect of rent income	2008/09 £000
1,372	As at 1 April	1,655
283	Increase in Provision	170
1,655	As at 31 March	1,825

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

2007/08 £000	Bad Debt Provision in respect of the rechargeable repairs	2008/09 £000
134	As at 1 April	75
60	Increase(+)/Decrease(-) in Provision	17
-119	Change in the year	0
75	As at 31 March	92

Note 9 Amortisation of Deferred Charges

In 2008/09 the amortised cost of deferred charges debited to the HRA was £0.117m (£1.258m in 2007/08).

Note 10 Gain or Loss on Sale of HRA Fixed Assets

The payment of a share of housing capital receipts to the Government counts as a loss in the HRA Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.

Note 11 Interest Payable and Other Charges

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

Note 12 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an FRS 17 basis, but to reverse the impact of FRS 17 based accounting to the Pensions Reserve to ensure that it does not impact on council tax or housing rents.

THE COLLECTION FUND

By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2009

2007/08 £000	2007/08 £000		2008/09 £000	2008/09 £000	Note
82,368		Council Tax	85,670		
<u>17,676</u>	100,044	Council Tax Benefits	<u>18,863</u>	104,533	
	<u>55,514</u>	National Non-Domestic Rates		<u>63,794</u>	2
	155,558	Total Income		168,327	
		<u>Precepts</u>			
85,014		Rotherham Borough Council	88,610		
8,816		South Yorkshire Police Authority	9,269		
<u>3,991</u>	97,821	South Yorkshire Fire & Civil Defence	<u>4,194</u>	102,073	
	1,980	Distribution of Collection Fund Surplus		1,166	
	54,924	Contribution to NNDR Pool		62,757	
		<u>Bad Debts</u>			
-38		NNDR	111		
193		Council Tax	185		
<u>0</u>	155	Community Charge	<u>0</u>	296	
	249	Council Tax Write-Offs		228	
	295	NNDR Write-Offs		624	
	<u>301</u>	Collection Costs – NNDR		<u>302</u>	
	155,725	Total Expenditure		167,446	
	167	Surplus (-)/Deficit (+) for the year		-881	

THE COLLECTION FUND BALANCE

2007/08 £000		2008/09 £000	Note
-609	Balance as at 1 April	-442	
167	Surplus (-)/Deficit (+) for the year	-881	
-442	Balance as at 31 March	-1,323	5

Notes to the Collection Fund Statement

Note 1 Council Tax

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2008/09 is shown below.

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

Band	Number of Band D Equivalent properties	Ratio to Band D	Collection Rate @ 97%
A	35,445	6/9	34,382
B	14,684	7/9	14,243
C	11,365	8/9	11,024
D	7,525	9/9	7,299
E	4,683	11/9	4,543
F	2,129	13/9	2,065
G	844	15/9	819
H	38	18/9	37
	76,713		74,412

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

Business Rates continue to be levied on non-domestic premises but the rate in the pound is determined by Central Government and is applied nationally (the national multiplier). All income from Business Rates is forwarded to Central Government and redistributed to individual Local Authorities on a population basis.

The NNDR collectable of £63,794,164 for 2008/09 (£55,514,000 in 2007/08) after allowing for reliefs and provisions was based on a total rateable value of £153,425,754 (£150,740,961 as at 31 March 2008) and a national multiplier of 46.2 pence in the pound and a small business rating multiplier of 45.8 pence in the pound (44.4 pence and 44.1 pence respectively in 2007/08).

Note 3 Community Charge

Although the Community Charge system was replaced by the Council Tax on 1 April 1993, the Council continues to account for cash collected in relation to the Community Charges raised in previous years in the Collection Fund.

Note 4 Discounts

The Council does not operate a discount scheme for the early payment of Council Tax. The council granted 100% discount for the 2008/09 financial year for those properties affected by the 2007 flooding whilst they remained uninhabitable – the discount was partly offset by a grant from Central Government.

Note 5 Collection Fund Balance

The balance on the Collection Fund at 31 March 2009 (£1.323m) represents funds ultimately to be distributed to the billing Authority (Rotherham MBC) and the major

precepting Authorities (South Yorkshire Police Authority and South Yorkshire Fire and Civil Defence Authority) as follows:

2007/08 £000		2008/09 £000
270	Billing Authority – Rotherham MBC	1,047
118	Major Precepting Authorities:	
54	- South Yorkshire Police Authority	190
	- South Yorkshire Fire and Civil Defence Authority	86
442	Total	1,323

Amounts payable to the Major Precepting Authorities are shown as Creditors in the Balance Sheet.

Note 6 Parish Precepts

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

METROPOLITAN DEBT ADMINISTRATION

The Council became responsible for the administration of the former South Yorkshire County Council Debt from 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

2007/08 £000	<u>Capital Account</u>	2008/09 £000
-193	Cash at bank 1 April	-3,202
886	Transfer to/(from)Financial Instruments Adjustments Account	-204
-183	Adjustment to loans outstanding for interest accruals	14
81,777	Add: Expenditure in the year – Loans repaid	0
82,287		-3,392
	Less Income:	
81,789	Loans raised	0
3,700	Repayments by Relevant Authorities	4,070
-3,202	(+)Cash Overdrawn/(-)Cash at bank 31 March	-7,462

2007/08 £000	<u>Revenue Account</u>	2008/09 £000
6,240	Interest Paid on Outstanding Loans	5,936
274	Management and other expenses	226
6,514		6,162
	Less Income:	
0	Notional Interest	133
6,514		6,029
6,514	Recharge to Relevant Authorities	6,029
0		0

2007/08 £000	<u>Balance Sheet as at 31 March</u>	2008/09 £000
	Capital Liabilities	
103,893	Loans Outstanding	103,879
-3,202	(+)Cash Overdrawn/(-)Cash at bank	-7,462
100,691		96,417
	Capital Assets	
99,805	Advances Outstanding	95,735
	Reserves	
886	Financial Instruments Adjustments Account (FIAA)	682
100,691		96,417

Note 1 Financial Instruments – Balances

The borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial liabilities (principal amount) - PWLB	102,012	102,012	0	0
Financial liabilities at amortised cost - PWLB	103,893	103,879	0	0
Loans and receivables (principal amount)	0	0	0	0
Loans and receivables at amortised cost	0	0	0	0

Note 2 **Financial Instruments – Maturity Analysis**

The maturity analysis of financial liabilities is as follows:

31 March 2008 £000		31 March 2009 £000
1,881	Less than one year	1,867
0	Between one and two years	5,600
5,600	Between two and seven years	9,412
96,412	Between seven and fifteen years	87,000
0	More than fifteen years	0
103,893		103,879

Note 3 **Financial Instruments – Fair Values**

The fair values of the financial instruments are as follows:

31 March 2008			31 March 2009	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
103,893	115,493	Financial Liabilities – Debt	103,879	125,160
0	0	Loans and Receivables	0	0

The fair value for financial liabilities is greater than the carrying value because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 4 **Financial Instruments Adjustment Account**

This reserve has been opened to hold the accumulated difference between the financing costs included in the Revenue Account and the accumulated financing costs required in accordance with regulations to be charged to the Metropolitan Debt Administration Account.

The SORP requires that unless directly attributable to a loan held at 31 March 2007 then all premiums and discounts carried on the Balance Sheet at that date are to be

written off as at 1 April 2007. Government regulations allow for this impact to be neutralised through transfer to a new account, the Financial Instruments Adjustment Account. The balance of premium and discounts is amortised to the Revenue Account in line with the provisions set down in the Council's accounting policies.

2008/09 £000		2008/09 £000
0	Balance at 1 April Movement in year	886
886	Premium and discounts	-204
886	Balance carried forward at 31 March	682

Group Income and Expenditure for the period ended 31 March 2009

For a variety of reasons local authorities often choose to conduct their activities through other organisations under the ultimate control of the parent undertaking (known as a group). For this reason the financial statements of the reporting authority by itself do not present a full picture of its economic or financial activities. Group financial statements are therefore required in order to reflect the extended service delivery and full economic implications of the Authority's involvement with these undertakings.

The Council has considered its group accounts position in the light of the SORP requirements and prepared Group Accounts by consolidating the financial activities of those organisations considered to form part of the group with those of the Council.

Restated 2007/08 Net Expenditure £000		2008/09			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
68,754	Adult Social Care	114,616	-34,476	80,140	
2,182	Central Services to the Public	2,293	-806	1,487	
54,185	Children's & Education Services	328,385	-250,464	77,921	
393	Court and Probation Services	481	-8	473	
28,317	Cultural, Environment and Planning Services	66,050	-24,553	41,497	
13,410	Highways, Roads & Transport Services	18,728	-2,068	16,660	
96,013	Housing Revenue Account	207,769	-64,968	142,801	
3,616	Other Housing Services	89,484	-90,059	-575	
1,341	Exceptional Items	0	0	0	
5,217	Corporate & Democratic Core	18,117	-639	17,478	
7,054	Non Distributed Costs	1,537	0	1,537	
0	Share of Associate's profit	0	-2	-2	
280,482	Net Cost of Services	847,460	-468,043	379,417	
-3,023	(Gain) or loss on disposal of fixed assets	1,181	0	1,181	
0	(Gain) or loss on disposal of long term investments	0	0	0	
1,891	Parish Council Precepts	2,003	0	2,003	
19,463	County and Other Levies	19,797	0	19,797	
86	Dividends and (Surplus)/Deficit on Trading undertakings	0	-834	-834	
20,802	Interest Payable or Similar Charges	24,383	0	24,383	
-9,254	Interest & Investment Income	0	-8,201	-8,201	
28	Tax Payable	0	0	0	2
2,120	Pensions interest cost and expected return on pension assets	12,205	0	12,205	
6,206	Amounts payable into the Housing Capital Receipts Pool	1,191	0	1,191	
318,801	Net Operating Expenditure	908,220	-477,078	431,142	

Group Income and Expenditure (continued)

Restated 2007/08 Net Expenditure £000		2008/09 Net Expenditure £000	Note
318,801	Brought forward	431,142	
-14,699	General Government Grants	-28,187	
-6,223	PFI Support Grant	-6,223	
-87,586	Non Domestic Rates Distribution	-100,197	
-85,014	Demand on the Collection Fund	-88,610	
-1,800	Transfer from the Collection Fund in respect of surpluses/deficits	-1,000	
123,479	Income and Expenditure Account Deficit	206,925	
-7,364	General Fund balance attributable to school budgets	-4,913	

Reconciliation of the Single Entity surplus (-)/deficit (+) for the year to the Group surplus (-)/deficit (+)

2007/08 £000		2008/09 £000
122,649	Deficit (+) on the Authority's single entity income and expenditure account	204,758
0	Less: Dividend income from group entities included in single entity income and expenditure account	0
830	Add: Surplus (-) or deficit (+) arising from group entities Subsidiaries	2,169
0	Associates	-2
123,479	Group deficit	206,925

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This reconciliation summarises the difference between the outturn on the Group Income and Expenditure Account and the General Fund Balance.

Restated 2007/08 £000		2008/09 £000
123,479	Net surplus (-) or deficit (+) for the year	206,925
-126,594	Surplus (-) or deficit (+) on revaluation of fixed assets	-11,449
0	Surplus(-)/deficit(+) arising on revaluation of available-for-sale financial assets	0
70,889	Actuarial gains and losses on the pension fund assets and liabilities	-46,736
496	Any other gains (-) and losses (+) recognised in the STRGL	-1,441
68,270	Total recognised gains (-) or losses (+) for the year	147,299

Group Balance Sheet as at 31 March 2009

Restated 2007/08			2008/09		Note
£000	£000		£000	£000	
		<u>Long-term Assets</u>			
	0	Intangible Fixed assets		793	
		<u>Tangible Fixed assets</u>			
		<u>Operational Assets</u>			
830,980		Council Dwellings	717,585		
375,499		Other Land & Buildings	409,590		
2,539		Vehicles, Plant, Furniture & Equipment	4,905		
50,374		Infrastructure Assets	61,708		
4,043		Community Assets	1,760		
<u>1,263,435</u>			<u>1,195,548</u>		
		<u>Non-Operational Assets</u>			
21,348		Investments Properties	30,984		
42,782		Surplus Assets	52,286		
39,956		Assets under Construction	28,840		
<u>104,086</u>	<u>1,367,521</u>		112,110	<u>1,307,658</u>	
	1,367,521	<u>Total Fixed Assets</u>		1,308,451	
	15,973	Long-term Investments		18,669	
	9	Investments in Associates		11	
	<u>9,971</u>	Long-term Debtors		<u>17,208</u>	
	1,393,474	<u>Total Long-Term Assets</u>		1,344,339	
		<u>Current Assets</u>			
1,082		Stock and Work in Progress	995		
61,627		Debtors	49,161		
597		Landfill Usage Allowances	360		
138,545		Short-term Investments	68,703		
1,977		Cash in hand or at Bank	15,876		
<u>203,828</u>			<u>135,095</u>		3
		<u>Current Liabilities</u>			
-99,590		Creditors	-96,800		
-664		Deferred Liabilities	-731		
<u>-6,191</u>		Balance at bank -overdrawn	<u>-5,509</u>		
<u>-106,445</u>	<u>97,383</u>		<u>-103,040</u>	<u>32,055</u>	3
	1,490,857	<u>Total Assets less Current Liabilities</u>		1,376,394	
-385,808		Long-term Borrowing	-421,430		
-15,630		Deferred Liabilities	-14,900		
-7,895		Provisions	-21,306		
-61,857		Government Grants Deferred Unapplied	-87,967		
-23,639		Capital Grants/ Contributions	-17,401		
<u>-242,799</u>	<u>-737,628</u>	Pensions – Liability	<u>-207,460</u>	<u>-770,464</u>	
	753,229	<u>Total Assets less Liabilities</u>		605,930	

Group Balance Sheet as at 31 March 2009 (continued)

Restated 2007/08			2008/09		Note
£000	£000		£000	£000	
		Financed by:- <u>Capital Accounting balances</u>			
78,479		Revaluation Reserve	86,327		
860,105		Capital Adjustment Account	677,567		
169		Deferred Capital Receipts	147		
6,032		Usable Capital Receipts Reserve	6,353		
0		Major Repairs Reserve	320		
<u>0</u>		Available for Sale Reserve	<u>0</u>		
	944,785			770,714	
		<u>Notional Reserves</u>			
-242,799		Pensions Reserve	-207,460		
<u>-736</u>		Financial Instruments Adjustment Account	<u>-1,290</u>		
	-243,535			-208,750	
		<u>Reserves</u>			
51,709		Profit and Loss and other Reserves	42,919		
<u>270</u>		Collection Fund	<u>1,047</u>		
	51,979			43,966	
	753,229	Total Net Worth		605,930	

Group Cash Flow Statement for the period ended 31 March 2009

Restated 2007/08			2008/09	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows:		
319,473		Cash paid to and on behalf of employees	332,260	
327,177		Other Operating Costs	319,266	
18,160		Housing Benefit paid out	21,902	
59,275		National non-domestic rate payments to pool	57,949	
14,878		Precepts paid	15,631	
<u>7,003</u>	745,966	Payments to Capital Receipts Pool	<u>1,960</u>	748,968
		Cash Inflows:		
-22,060		Rents (after rebates)	-22,871	
-82,558		Council Tax Income	-85,611	
-87,586		National non-domestic rates receipts from pool	-100,198	
-52,352		National non-domestic rate income	-58,908	
-14,699		Revenue Support Grant	-13,948	
-18,319		DWP Housing Benefit Grant	-20,624	
-331,784		Other Government Grants	-314,908	
-132,987		Cash received for Goods and Services	-142,465	
<u>-12,791</u>	-755,136	Other Operating Cash Receipts	<u>-12,983</u>	-772,516
		SERVICING OF FINANCE		
		Cash Outflows:		
18,400		Interest Paid	22,123	
		Cash Inflows:		
<u>-9,131</u>	<u>9,269</u>	Interest Received	-6,370	<u>15,753</u>
	99	Net Revenue Cash Outflow(+)/Inflow(-)		<u>-7,795</u>
		CAPITAL ACTIVITIES		
		Cash Outflows:		
158,783		Purchase of Fixed Assets	165,831	
<u>8,543</u>	167,326	Purchase of Long Term Investments	<u>7,000</u>	172,831
		Cash Inflows:		
-15,163		Sale of Fixed Assets	-8,129	
-43,332		Capital Grants Received	-45,865	
<u>-23,489</u>	<u>-81,984</u>	Other Capital Income	<u>-15,159</u>	<u>-69,153</u>
	85,441	Net Cash Outflow(+)/Inflow(-)		<u>95,883</u>
		ACQUISITIONS AND DISPOSALS		
	-5,000	Sale of Long Term Investment		- 5,000
	<u>0</u>	Investment in Associates or Joint Ventures		<u>0</u>
	80,441	Net Cash Outflow(+)/Inflow(-) Before Financing		<u>90,883</u>
		MANAGEMENT OF LIQUID RESOURCES		
21,378		Net increase/decrease in short term deposits	- 69,842	
<u>0</u>	21,378	Net increase/decrease in other liquid resources	<u>0</u>	-69,842
		FINANCING		
	265,552	Cash Outflows:		
		Repayments of amounts borrowed		215,085
		Cash Inflows:		
-110,900		New Loans Raised	-70,000	
<u>-260,775</u>	-371,675	New Short Term Loans	<u>-180,707</u>	-250,707
	-4,304	Cash decrease(+)/increase(-)		-14,581

Notes to the Group Accounts

The SORP requires Local Authorities to consider all their interests in entities and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates and joint ventures. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship between the Council and the entity
- Determine on the grounds of materiality whether group accounts should be prepared

Having considered its involvement with all companies and organisations, including those listed in Note 41 to the Core Financial Statements: Investments – Related Businesses and Companies, Group accounts have been prepared. These incorporate only the results of 2010 Rotherham Ltd, a wholly owned subsidiary, and RBT (Connect) Ltd, an associate of which the Council owns 19.9%.

During the financial year RBT (Connect) Ltd provided services worth £28.055m to the Council. At the 31 March 2009 a sum of £2,416,008 was payable by RBT (Connect) Ltd to the Council and £2,539,979 was owed from the Council to RBT (Connect) Ltd.

Note 1 Statement of Accounting Policies

2010 Rotherham Ltd has adopted the same accounting principles as the Council. As far as can be ascertained, there are no material differences between the accounting principles of RBT (Connect) Ltd and the Council.

Note 2 Group Income and Expenditure Account

The Group Income and Expenditure Account has been prepared incorporating the results of 2010 Rotherham Ltd, a subsidiary company and RBT Connect Ltd an associate.

The management fee of £12,360,000 paid by the Council to 2010 Rotherham Ltd has been eliminated on consolidation.

There is no Taxation charge on the losses of 2010 Rotherham Ltd for the current year (2007/08 £28,000) .

Note 3 Group Balance Sheet

Current Assets and Liabilities

At 31 March 2009 2010 Rotherham Ltd owed the Council £8,362,876 and was owed £10,301,390 by the Council. These balances have been eliminated on group consolidation.

It has also been acknowledged that 2010 Rotherham Ltd has disclosed within its accounts that the Council owes £7,483,033 to the company. This is due to possible losses of £212,000 in 2008/09 on the discontinuation of the 2010 Rotherham Ltd window manufacturing operation being recognised in the 2010 Rotherham Ltd accounts and funded by deferred income due from the Council. This has not been recognised in the Council accounts as the liability is difficult to estimate with certainty and would not become due until 2008/09.

Pensions Liability

The Pensions liability of 2010 Rotherham Ltd at 31 March 2009 was £6,822,000.

Note 4 Group Cash Flow Statement

The change in the cash position over the Council's Cash Flow Statement reflects the Group increase of £14,581,000.

Note 5 2010 Rotherham Ltd

A financial recovery plan is in place which aims to eliminate the accumulated losses at 2010 Rotherham Ltd. It is therefore not expected that there will be any impact on the Council's financial position arising from the financial performance of 2010 Rotherham Ltd.

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ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2008/09

1 SCOPE OF RESPONSIBILITY

Rotherham Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Rotherham Metropolitan Borough Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to the combination of economy, efficiency and effectiveness.

In discharging these responsibilities, Rotherham Metropolitan Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and this includes arrangements for the management of risk.

Rotherham Metropolitan Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.rotherham.gov.uk or can be obtained from Steve Merriman on 01709 822087. This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rotherham Metropolitan Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The Council and its partners have worked together to develop a new vision and community strategy for the Borough which will steer progress over the next 10 years.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners: Local Strategic Partnership members including local businesses, RBT (Rotherham Brought Together), Rotherham 2010 Ltd, South Yorkshire Police, Private Finance Initiative (PFI) Partners, Voluntary & Community Sectors, and National Health Service.

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements

The Council periodically updates its vision, objectives and performance targets by reviewing the Community Strategy, Corporate Plan and Local Area Agreement.

On an annual basis the "Year Ahead Statement" sets out the Council's key priorities over the coming year in order to move both the Council and Rotherham forward. This is evaluated every 6 months and at the year end and reported to Cabinet.

A Corporate Improvement Plan has been developed to help the Council to deliver its corporate priorities and provide the best possible services to the public.

3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

The Council's performance management framework has been consistently praised by the Audit Commission in its annual Comprehensive Performance Assessment. The Council has also been active in developing a joint performance management framework within the Local Strategic Partnership to meet the requirements of the new national performance agenda. The Council continues to encourage LSP partners to link up with its own performance data system so integrated monitoring can take place across all community strategy and local area agreement objectives.

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS). Success is measured annually by the Audit Commission Use of Resources Key Lines of Enquiry.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution sets out the basic rules governing the manner in which the Council conducts its business. The appendices contain more detailed procedures and codes of practice regulating different aspects.

The Council has a Scheme of Delegation whereby functions and decision-making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards and committees and officers.

The Council has a Member/officer protocol which has been provided to all Members of the Council and forms an appendix to the Officer Code of Conduct. The protocol encourages the effective transaction of business by setting out the respective roles of members and officers and guidelines for good working relationships between them.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Codes of Conduct for Members and Officers are monitored by the Standards Committee which comprises Councillors and external Members. It has two Labour, two Conservative, eight Independent and three parish council representatives. It has a majority of non-Council Members, including both the Chairman and Vice-Chairman.”

The Council adopted a revised Code of Conduct for Members on 1st October 2007.

The Council has agreed revised membership arrangements for the Standards Committee and for the creation of sub-committees in order to deal with the additional functions of assessing all allegations that Members may have breached the Code of Conduct, which came into force in May 2008.

3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders and Financial Regulations. The Council has designated the Strategic Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has in place a 3-year Medium Term Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council is required to set a Budget in line with its objectives which is both balanced and sustainable, and takes account of advice given by the Strategic Director of Finance on the appropriateness of the level of the Council's reserves following an assessment of the risks inherent within the proposed Budget. Once the Budget has been agreed each service area monitors and manages its spending and income to remain within the allocated Budget.

Asset Management Planning optimises the utilisation of assets in terms of service benefits and financial return.

The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet, and Chief Officers under their delegated powers.

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate

business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which Service Directors are actively managing.

3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and oversees the financial reporting process.

3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council has designated the Assistant Chief Executive - Legal and Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations.

All reports to Cabinet requiring decisions take account of a range of control factors including risks and uncertainties, financial implications, and policy and performance implications.

3.9 Whistle-blowing and for receiving and investigating complaints from the public

The Council has a Confidential Reporting code for staff and a comprehensive Complaints Procedure.

3.10 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme and in the case of Managers through a Development Centre approach.

Individuals' targets are defined from service and team plans. The Council has a partnership with Leeds Metropolitan University for the provision of bespoke and accredited management training.

Induction courses and e-learning packages are available for new Members and officers. A comprehensive programme of development activities (including induction) and training are specifically designed to improve the knowledge, skills and abilities of elected Members in their individual or collective roles in meeting the Council's corporate objectives and to ensure that all Members are fully supported to carry out their increasingly complex roles. Members' individual development needs are identified through a personal development plan.

A programme of seminars is run each year on topical governance issues for both Members and officers.

3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

In developing the vision for Rotherham, the Council entered into a range of public consultation exercises to focus on the detail of the vision and associated priorities. The Corporate Plan reflects important issues identified by local communities.

Rotherham's Communications and Marketing Strategy is aimed at ensuring that citizens link continuous service improvements with the Council's core and associated brands, leading to increased satisfaction rates and enhanced reputation.

3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

The Council has issued comprehensive guidance to Directors covering expected good practice in respect of managing the four key areas of Partnerships risk :

- Governance Arrangements
- Financial Management Arrangements
- Performance Management Arrangements
- Ethical Arrangements

The guidance was updated in January 2009 and detailed self assessments were undertaken by lead officers of significant partnerships.

4 REVIEW OF EFFECTIVENESS

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also the findings of external auditors and other review agencies and inspectorates.

A portrayal of the review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework, is outlined below in relation to the role of:

4.1 The Authority (Council / Cabinet)

Cabinet has continued to update the Community Strategy, Corporate Plan and Local Area Agreement. The plans have been updated in line with the 2008 -11 Local Area Agreement timeframe. The Council's Policy Framework is reviewed annually.

During the year Cabinet reviewed progress on delivering the commitments outlined in the 2008/09 Year Ahead Statement – Transforming the Borough Together' and reviewed progress on the work of the 'Our Future : Staying Ahead' Organisational Development Strategy Groups.

Cabinet has considered the findings from reviews undertaken by the External Auditor and other Inspectors.

The Council has reviewed its Local Code of Corporate Governance and has paid particular attention to seeking evidence of good governance in its significant partnerships.

Cabinet has reviewed the Council's Risk Management Policy and Strategy and has continued to review the Corporate Risk register on a quarterly basis.

The Council considered the arrangements for the biennial Place Survey that is designed to measure the level of satisfaction with public services.

Cabinet received regular Revenue and Capital Budget Monitoring Reports throughout the financial year. Attention has been paid to the implications of the Credit Crunch and the Economic Downturn. Financial Regulations have been reviewed and the Medium Term Financial Strategy refreshed.

Cabinet received regular progress reports on the implementation of the Local Development Framework that is key to delivering sustainable development.

Cabinet has continued to receive reports on flood defence issues and their potential impact on Business Continuity arrangements. Flood risk is captured on the Corporate Risk Register which is reported on quarterly.

Council Seminars that took place during the year included : CPA 2008 Results and Comprehensive Area Assessment; Credit Crunch; Community Engagement and Crime and Justice; Looked After Children; Medium Term Financial Strategy; Local Government Financial Settlement; External Funding; Commissioning Framework; Communities in Control; Effective Branding & Communications; ICT Strategy; Corporate Procurement Strategy; Rotherham Economic Plan; 2010 Rotherham Ltd.

4.2 The Executive (Corporate Management Team)

During the past year the Corporate Management Team received reports regarding the management of the following good governance related issues :

<p>Vision / Strategy:</p> <ul style="list-style-type: none"> • Working Neighbourhoods Plan 2008-2011 • Community Strategy / Corporate Plan / LAA • Forward Plan • BME Strategy • Rotherham Town Centre • Local Development Framework • Rotherham Partnership • Service Planning • Customer Access Strategy • Customer Service Excellence • Local Government Act • Policy Review • State of the Borough 	<p>Performance Management :</p> <ul style="list-style-type: none"> • Corporate Complaints • Year Ahead Final Report 2007/08 • Year Ahead Statement 2008/09 • Corporate Improvement Plan • Our Futures progress report • Audit & Inspection Plan • Annual Performance Plan • Quarterly Performance • Annual Performance Assessment • CPA Direction of Travel Statement • Use of Resources Self Assessment • National Indicator Set • Comprehensive Area Assessment • Data Quality Management • Business Process Re-engineering
<p>Financial Management :</p> <ul style="list-style-type: none"> • Bid for Strategic Capital Investment • Budget Virement • Grant Agreements • Area Based Grant • Base Budget Review • Medium Term Financial Strategy • Review of Financial Regulations 	<p>Risk Management :</p> <ul style="list-style-type: none"> • Hand Arm Vibration Claims • Flood Insurance Cover • Flooding Action Plan • Review of Claims handling • Corporate Risk Register • Review of Risk Management Policy & Strategy

<ul style="list-style-type: none"> • Revenue & Capital Outturn • Revenue Budget Monitoring • Capital Monitoring • Treasury Management • Statement of Accounts • Capital & Asset Management Plan • Budget Processes • Credit Crunch • Surplus School Balances • Value For Money Gains • Revenue Budget • International Reporting Standards • Final Accounts • Charging Policy • Consultancy & Agency Costs 	<ul style="list-style-type: none"> • Information Security Risks • Fire Safety Policy • Prevent Strategy • IOSH Managing Safety Courses • Document & Records Management • Corporate Manslaughter • Incentivisation of insurance charges • Annual Corporate Emergency Planning Exercise • Managing the risk of fraud
<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Review of Framework for producing Annual Governance Statement • Code of Conduct • Scheme of Delegation • Annual Governance Statement • Partnerships Governance • Local Code of Corporate Governance 	<p>Capacity and Capability :</p> <ul style="list-style-type: none"> • Management Development • Worksmart agile working • Employee Opinion Survey • Learning & Development Review • Corporate Workforce Strategy • Equal Pay • Elected Members Survey • E-Learning • Employee Involvement Programme • Equality Standard Level 5
<p>External Inspections / Reviews :</p> <ul style="list-style-type: none"> • Fostering Inspection • Rotherham Ofsted Profile • Social Care Annual Performance • Ofsted Annual Performance Assessment • YES Project • Treasury Management • Annual Audit & Inspection Letter 	<p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Branding Strategy • Communication and Marketing • Enhancing Reputation • Freedom of Information • Place Survey • Partnership Consultation and Community Involvement • Media & PR Forward Plan • Publication of Annual Report • Communicating One Council
<p>Internal Audit :</p> <ul style="list-style-type: none"> • External Funding – Document Retention • Internal Audit Annual Report • Internal Audit Plan • Audit Committee Annual Report • Annual Review of Internal Audit 	<p>Commissioning / Procurement :</p> <ul style="list-style-type: none"> • Commissioning Framework • Energy Contracts

4.3 Corporate Improvement Board

During 2008/09 the Corporate Improvement Board, in overseeing the successful implementation and delivery of the Corporate Improvement Plan, received reports on the following good governance related issues :

Performance Management :

- Use of Resources

- | |
|--|
| <ul style="list-style-type: none"> • Inspections Plan • Childrens Review • Comprehensive Area Assessment • CPA / Direction of Travel • Data Quality Management • Corporate Improvement Plan • National Indicator Set • Local Area Agreement Refresh • Customer Access Strategy • Commissioning Framework |
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4.4 The Audit Committee

During 2008/09 the Audit Committee provided independent assurance about the following good governance related issues:

<p>Internal Control, Corporate Governance & Risk Management :</p> <ul style="list-style-type: none"> • Managing the risk of fraud • Corporate Risk Register • Accounts & Audit Regulations • Partnerships Governance • Data Quality Management • Economic Downturn • Governance & Partnerships • Credit Crunch • Code of Conduct • 2010 Rotherham Ltd • Annual Statement of Assurance • Annual Governance Statement • Review of Framework for producing Annual Governance Statement • Review of Risk Management Policy & Strategy 	<p>Financial Management :</p> <ul style="list-style-type: none"> • Treasury Management • Final Accounts Closedown • Accounting Policies • Prudential Indicators • Investment Strategy • Code of Accounting Practice
<p>Internal Audit :</p> <ul style="list-style-type: none"> • Review of progress against the Internal Audit Plan • Joint Audit Event with Partners • Audit Committee Workplan • Annual Review of Internal Audit • Review of Financial Regulations • Audit Committee Annual Report • Internal Audit Annual Report • Internal Audit Plan 	<p>External Audit :</p> <ul style="list-style-type: none"> • Audit Commission Annual Audit & Inspection Letter • Audit & Inspection Plan • Use of Resources Judgement • Health Inequalities Review • YES Project • KPMG Progress Report • Waste Management • KPMG Grants Report • Statement of Accounts

4.5 Performance Scrutiny and Overview Committee

During 2008/09 the Performance Scrutiny and Overview Committee considered and reviewed the following good governance related issues :

<p>Vision / Strategy :</p> <ul style="list-style-type: none"> • Local Area Agreement / Community Strategy Refresh • ICT Strategy 	<p>Performance Management :</p> <ul style="list-style-type: none"> • Scrutiny Forward Programme • Comprehensive Area Assessment • RBT Performance
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<ul style="list-style-type: none"> • Health Inequalities Review • Review of Children & Young People • Public Health • Working with Parish Councils • Local Area Agreement • Review of Area Assemblies • Youth Service Review • Use of School Premises • Local Government Reform • Policy Review • Our Future Groups • Health Inequalities • Advice Sector Review • Yorkshire South Tourism 	<ul style="list-style-type: none"> • Council Performance • Data Quality Management • Corporate Complaints Review • CPA Direction of Travel Statement • Scrutiny Annual Report • Year Ahead • Corporate Improvement Plan
<p>Financial Management :</p> <ul style="list-style-type: none"> • Budget • Economic Downturn • Credit Crunch Impact Assessment • Efficiency & Value for Money • Treasury Management / Investment Strategy • Base Budget Reviews 	<p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register • Floods • Integrated Emergency Management
<p>Corporate Governance :</p> <ul style="list-style-type: none"> • New Scrutiny Functions & Regs. • Scrutiny Self Assessment • Partnerships Governance • Review of Local Code of Corporate Governance • Review of Framework for producing Annual Governance Statement 	<p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Update on Plain English • Empowering Communities • Improving Local Accountability • Consultation & Involvement • Customer Access Strategy
<p>Commissioning / Procurement :</p> <ul style="list-style-type: none"> • Review of use of Consultants • Local Performance Indicators • Procurement Strategy Action Plan • Commissioning Framework 	

4.6 The Standards Committee

During the past year the Standards Committee considered and reviewed the following good governance related issues :

<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Roles of Standards Committee, Audit Committee & Corporate Governance Group • Ethical Audit • Council's Website • Review of Complaints against Elected Members • Partnerships Governance • Confidential Reporting Code • Requests for Dispensation • Code of Conduct 	<p>Capacity and Capability :</p> <ul style="list-style-type: none"> • Standards Board for England Bulletins • Adjudication Panel for England Appeals Tribunal • Publicity of Role of the Committee • Annual Assembly • SBE Guidance on Investigations
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- | | |
|--|--|
| <ul style="list-style-type: none"> • Standards Committee Manual • Complaints Assessment Criteria • Terms of Reference | |
|--|--|

4.7 Internal audit

During 2008/09 Internal Audit reviewed all the Council's main financial systems : Council Tax; Business Rates; Creditors; Payroll; Benefits; Housing Rents and Debtors.

There were 3 issues arising from this work which were considered significant enough to be reported in more detail, and these are covered in paragraph 5.2.1 to 5.2.3 below.

4.8 External Audit (and other external review / assurance mechanisms)

- 4.8.1** Rotherham Council was classified as a three star authority in the **2008 Comprehensive Performance Assessment (CPA)**, and found to be "improving adequately".
- 4.8.2** Within the **Use of Resources** category in the CPA, KPMG reported that Rotherham continued to demonstrate the embeddedness of its processes, achieving the top score of 4, indicating that it was performing strongly.
- 4.8.3** Ofsted's Annual Performance Assessment of **Children and Young People** noted that minimum requirements were being met and that the council's capacity to improve was adequate. Successful outcomes included enabling children to make a positive contribution, work done on achieving the Healthy School award, and no schools in special measures. Weaknesses covered teenage pregnancies, the fostering service, and educational performance at primary and post 16 level.
- 4.8.4** The Ofsted report on **Fostering Services** gave an overall quality rating of inadequate. Control weaknesses were highlighted to do with overcrowding, risk assessments, monitoring systems and clarity of roles. They are considered to be significant and are therefore raised in paragraph 5.2.4 below. Following significant input from Members and managers, additional resources, and changes to placing arrangements, the service is now seen to have the capacity to deliver the improvements required.
- 4.8.5** The Audit Commission's re-inspection of **2010 Rotherham Ltd (2010)** assessed 2010 to be providing a good, two-star, service to customers. 2010 was seen to have made progress regarding reducing the number of non-decent and empty homes, completing repairs on time, engaging customers, and improving estates and leasehold services. Improvements were still needed in order to respond promptly to customer complaints, reduce emergency repairs, clarify service charges and thus improve value for money. Overall prospects for improvement were assessed as uncertain. The inspection report highlighted weaknesses in the financial management of 2010's in house service provider which carries out repairs and construction work on behalf of the Council and other organisations. This issue is further highlighted at 5.2.5.
- 4.8.6** KPMG's report on the **YES Project**, to develop Rother Valley Country Park, found that Standing Orders and legal requirements had been complied with,

and that project management and risk management arrangements were effective.

4.8.7 Following the surfacing of the difficulties of the Iceland Banks, in which the Council had some money invested, KPMG's **Treasury Management Review** found that the Council's Treasury Management Strategy was fit for purpose.

4.8.8 KPMG's **Data Quality** review assessed the Council's performance as performing strongly over all the five themes : Governance & Leadership, Policies & Procedures, Systems & Processes, People & Skills and Data Use and Reporting.

4.9 Action Plan and Continuous Improvement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team, Cabinet, Audit Committee, Performance Scrutiny and Overview Committee, Standards Committee and Corporate Improvement Board, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on 2007/08 significant governance issues

The significant issues raised in the 2007/08 Annual Governance Statement have been addressed as follows:

5.1.1 Payroll

At the time of the audit there was weak control of data submitted to HR & Payroll for processing. The Council's Human Resources Section has mitigated this risk following improvements to authorisation procedures.

5.1.2 Criminal Records Bureau (CRB) Checks

An Internal Audit review of Human Resources and Payroll procedures identified a small but significant number of employees who were found to not have an up to date CRB check in place. The Council's Human Resources Section has mitigated this risk following improvements to checking procedures.

5.1.3 I.T. Business Continuity arrangements

See 5.2.1.

5.1.4 Health and Safety

In May 2007 an accident occurred resulting in the death of an employee of Streetpride. The Council has conducted its own review of working practices and Health and Safety arrangements. The Council is being prosecuted by the Health and Safety Executive and at a hearing at Sheffield Crown Court on 24 April 2009 the Council entered a guilty plea. Sentencing will not take place until the trial of a co-defendant is concluded.

5.1.5 Floods

In the Summer of 2007 the Council and some of the Borough's citizens and their property were seriously affected by the severe weather. A range of mitigation measures have been implemented including the procurement of

flood insurance cover for all Council properties. Structural improvements to reservoirs are ongoing.

5.1.6 Customer Perception / Satisfaction

A key challenge identified for the Council last year was to communicate more effectively to ensure that we understood local needs and aspirations even better, and that local people were aware of our commitments to them. During the past year a wide range of work has been undertaken covering branding, communications and marketing, reputation, Freedom of Information, partnerships' consultation and community involvement, media & public relations, publication of an annual report and communicating the 'One Council' banner.

5.2 Significant governance issues arising from the 2008/09 review of the effectiveness of the governance framework.

5.2.1 I.T. Business Continuity

During the year Internal Audit highlighted gaps in business continuity arrangements for the Authority's principal IT applications. A plan has been put in place by management to address the weaknesses identified. The improvement actions have commenced but have yet to be completed.

5.2.2 Asset Management

A review of the Authority's arrangements for the management of its land and buildings highlighted shortcomings in the information flows from Property Services to the Insurance Section, leading to a risk that not all assets are considered for insurance purposes. Mitigating action is now being taken by management, but the risk has still to be fully addressed

5.2.3 Bereavement Project.

The Council transferred the responsibility for the delivery of the bereavement service to the private sector with effect from 1st August 2008. During the year a review of partnerships' governance and an Internal Audit review of the contract management arrangements identified a number of shortcomings relating to performance monitoring and management, risk management and contingency planning and processes supporting price changes.

Management has accepted the findings and recommendations. Management action is now required to mitigate these risks.

5.2.4 Fostering

Ofsted rated the Council's Fostering Services as inadequate following its 2008 Inspection. Weaknesses highlighted included placements over number, risk assessments, monitoring systems and clarity of roles. The Council is implementing a wide range of actions to deliver the required improvements.

5.2.5 2010 Rotherham Ltd

2010 Rotherham Ltd is a 100% owned subsidiary of Rotherham Council. The Company has previously reported adverse financial results primarily as a consequence of the financial performance of its in-house service provider, which is responsible for repairs and maintenance and construction work. The Audit Commission Inspection report published in November 2008 highlighted historical weaknesses in the financial management of the in-house service. The Council is working with 2010 Rotherham Ltd to improve the efficiency of its in-house service and to strengthen its financial management

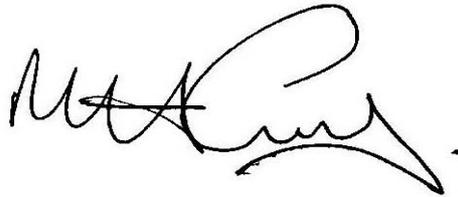
arrangements. The current position represents a potential significant financial risk for both 2010 Rotherham Ltd and the Council.

6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Signed
Councillor Roger Stone, Leader, Rotherham Metropolitan Borough Council



Signed
Mike Cuff, Chief Executive, Rotherham Metropolitan Borough Council



Independent auditors' report to the Members of Rotherham Metropolitan Borough Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Rotherham Metropolitan Borough Council and its Group for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Rotherham Metropolitan Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Rotherham Metropolitan Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Rotherham Metropolitan Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements, and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year;

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material

inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

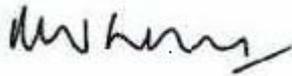
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Kevin Wharton (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Leeds

30 September 2009

The maintenance and integrity of the Rotherham Metropolitan Borough Council website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary

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

Terms used:	Definition of Terms:
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers' must exercise this discretion in accordance with the national regulations and the Council's own policies.
Budgets	A statement of the Council's forecast spend ie net revenue expenditure for the year.
Capital Charge	This represents a charge made to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	An account maintained to provide a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.
Capital Receipts	Proceeds or money received from the sale of land or other capital assets. Under the Local Government Act 1989, a proportion must be set aside to provide for the repayment of debt and the balance is available to finance new capital expenditure.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.
Community Assets	These are assets that the Council intends to hold in perpetuity, which have an indeterminable useful life and in addition may have restrictions on their disposal. Examples include parks, historic buildings and cemeteries.
Contingent Liability	A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.

Council Tax	This is a banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.
Creditors	An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.
Debtors	Sums of money owed to the Council but not received at the end of the year.
Depreciation	The measure of the wearing out, consumption or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
DSG	Dedicated Schools Grant – a ring-fenced grant for Schools paid by the Department for Education and Skills (DfES) to the Local Authority; it replaces the Schools Formula Spending Share (FSS).
Earmarked Reserve	A sum set aside for a specific purpose.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arms length transaction, less, where applicable, any grants receivable towards the purchase of the use of the asset.
Fees and Charges	Income arising from the provision of services e.g. the use of leisure facilities.
Financial Instruments Adjustment Account	This reserve has been created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.
Fixed Assets	Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.
FRS	'Financial Reporting Standards' (FRS) are statements issued by the Accounting Standards Committee (ASC) that seek to ensure consistency in the treatment of certain accounting issues. Many FRS's now apply to local authority accounts and any departure must be disclosed in the published statement.
General Fund Services	This comprises all services provided by the Council with the exception of services relating to the provision of local Council housing – which are accounted for in the Housing Revenue Account. The net cost of General Fund services is met by council tax, Government Grants and Business Rates.

Government Grants	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Council.
Housing Revenue Account	This account includes all revenue expenditure and income relating to the provision, maintenance and administration of Council housing. It is a statutory requirement that the account be maintained separately ('ring fenced') from General Fund services.
Impairment	A reduction in the value of a fixed asset not caused by general changes in market values.
Infrastructure Assets	These are inalienable assets (ie assets where ownership cannot be transferred) from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths and bridges.
Investments	A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Liabilities	Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.
Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily converted to known amounts of cash at, or close, to the carrying amount, or traded in an active market.
Major Repairs Allowance	A revenue grant received as part of the Authority's Housing Subsidy used to finance major housing repairs.
Major Repairs Reserve	The Major Repairs Reserve (MRR) is a reserve established in 2001/02 to which the Authority's Major Repairs Allowance is transferred. The balance on the MRR is used to finance major housing repairs in future years.
Minimum Revenue Provision	This is the minimum amount (set by law) that must be charged to the Council's revenue account each year to provide for the repayment of loans used to finance

	capital expenditure. The minimum amount is a percentage of the total credit ceiling (net indebtedness).
National Non-Domestic Rates (NNDR)	Rates which are levied on business properties. The Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.
Net Expenditure	Gross expenditure less specific grants and income for charging for services.
Net Realisable Value	The open market value of an asset in its existing use less any expenses incurred in realising the asset.
Non-Operational Assets	These are assets which are not directly occupied, used or consumed in the delivery of the services.
Operational Assets	These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a responsibility.
Post Balance Sheet Events	Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.
Private Finance Initiative (PFI)	A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.
Provisions	Provisions are charged to revenue during the year for costs with uncertain timing though a reliable estimate of the cost involved can be made.
Prudence	Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Code	Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, finance teams are required to take account of the CIPFA Prudential Code.
Related Party	The definition of a related party is dependent upon the situation through key indicators of related parties are if: <ul style="list-style-type: none"> • One party has direct or indirect control of the other party:

- One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.

Reserves	These are amounts set aside from balances to meet specific items of future expenditure. There are revenue and capital reserves.
Revaluation Reserve	This account records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.
Revenue Expenditure	This represents day to day running costs incurred in the provision of Council services. Such costs include employee costs and supplies and services.
Revenue Support Grant	A grant paid to the Council by the Government to finance the Council's general expenditure 'needs' and not specific services, after taking into account the level of Council Tax and NNDR income.
SSAPs (Statements of Standard Accounting Practice)	These are statements issued by the Accounting Standards Committee that seek to ensure consistency in the treatment of certain accounting issues. Many SSAPs now apply to local authority accounts and any departure must be disclosed in the published accounts.
Useful Life	The period over which the Local Authority will derive benefits from the use of a fixed asset.

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Minicom: 01709 823 536

Email: central.finance@rotherham.gov.uk

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