

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2009/10

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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 29 September 2010.

Signed on behalf of Rotherham MBC



Audit Committee Chair

Date 29.9.10

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 a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year then ended.



Signed A A Bedford, BA(Hons), CPFA

Date 29.9.10

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 2010 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 as set out in the section of this report headed 'Statement of Accounting Concepts and Policies' (Page 15). 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 15) – 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 29) - 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 30) - 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 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 30) – 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 31) – this Statement shows the Council's overall financial position as at 31 March 2010 in terms of its assets and liabilities.

The Cash Flow Statement (Page 33) – 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 94) – 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 100) – 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.

Council Tax

Council Tax Debtors are shown exclusive of the proportions attributable to the major preceptors.

Council Tax income for the financial year credited to the Income and Expenditure Account is the accrued income for the year together with the share of the surplus/deficit on the Collection Fund at the end of the previous

financial year. The difference between this amount and the Council Tax income credited to the General Fund is a reconciling amount in the SMGFB.

National Non-Domestic Rates

A National Non-Domestic Rates Debtor represents the amount collected on behalf of the Government but not yet paid over at the Balance Sheet date.

A National Non-Domestic Rates Creditor represents the amount collected on behalf of the Government but overpaid at the Balance Sheet date.

- **Metropolitan Debt Administration** (Page 103) – 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 106)

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 show the full extent of the authority's activities by including:

- 2010 Rotherham Ltd, a wholly owned subsidiary;
- RBT (Connect) Ltd, an Associate; and
- Digital Region Ltd , a Joint Venture

The Group Accounts comprise:

- Group Income and Expenditure Account (Page 106)
- Group Statement of Total Recognised Gains and Losses (Page 107)
- Group Balance Sheet (Page 108)
- Group Cash Flow Statement (Page 110)

2.1 General Fund Services

For 2009/10 Rotherham Metropolitan Borough Council set a Revenue Budget of £210.639m after the budgeted Private Finance Initiative grant of £8.033m and support through use of balances of £1.150m.

The actual outturn of £220.678m (before PFI grant of £8.033m) meant the Council made a net additional call of £2.006m on general balances. The overall position is summarised below:

Restated 2008/09				2009/10		
Original Estimate £m	Actual £m	Variance £m		Original Estimate £m	Actual £m	Variance £m
211.507	211.662	-0.155	Total Net Expenditure	218.672	220.678	-2.006
-2.400	-2.555	0.155	Contributions to (+)/from (-) Balances	-1.150	-3.156	2.006
209.107	209.107	0.000	Spending	217.522	217.522	0.000
2.003	2.003	0.000	Add Parish Council Precepts	2.064	2.064	0.000
211.110	211.110	0.000	Total	219.586	219.586	0.000
13.948	13.948	0.000	Funded by:			
100.198	100.198	0.000	Revenue Support Grant	22.304	22.304	0.000
7.354	7.354	0.000	Share of NNDR Pool	96.632	96.632	0.000
89.610	89.610	0.000	PFI Grant	8.033	8.033	0.000
			Receipts from Collection Fund	92.617	92.617	0.000
211.110	211.110	0.000	Total	219.586	219.586	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 £2.006m above the approved Budget and the principal reasons for this variation were as follows:

- A decrease in schools' delegated balances (£2.165m)
- Overspends against Directorates' cash-limited budgets:

Children and Young People's Service (£3.944m)
Neighbourhoods and Adults Services (£0.397m)

- Additional costs relating to:

Providing support for Maltby Academy in the form of a Deed of Gift (£0.500m) in order that the Council would qualify for an earlier wave of the Building Schools for the Future programme; and

Additional costs relating to the final settlement of the Council's liability in the court case brought by the Ibstock Brick Company (£0.140m).

These additional costs were offset by savings against Directorates' cash limited budgets:

Chief Executive (£0.068m) and Financial Services (£0.023m)

- In addition the Council achieved further income or savings through the following:

Additional income from the refund of VAT from HMRC under the Fleming Case ruling (£1.516m);

The capitalisation of current and prior year development costs for Private Finance Initiative schemes in accordance with latest accounting rules (£2.470m);

Additional income from Yorkshire Forward (£0.544m); and

Additional income from the Local Authorities Business Growth Incentive Scheme (£0.180m).

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 2010, there is a sum of £3.152m relating to School Delegated Budget arrangements as follows:

2008/09 £m		2009/10 £m
0.613	Schools' Declared Savings	0.405
4.913	Unspent Schools' Budgets	2.748
5.526	Total	3.153

2.2 Housing Revenue Account Income and Expenditure Account

For 2009/10, the Income and Expenditure Account reflects an accounting deficit on HRA services of £68.501m, prior to adjustments to equate this to the actual HRA surplus for the year of £0.697m. 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 £69.198m has been credited to the HRA Statement of Movement on HRA Balance to give the overall increase in the HRA balance of £0.697m.

The £69.198m 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 increase in the HRA balance were:

- Increase in subsidy receivable (£1.135m) due to the in-year change in the rent increase from 6.9% to 3.6% which partially offsets the reduction in Dwelling rental income (£1.356m)
- A reduction in interest payable (£1.187m) due to a change in the Consolidated Rate of Interest.
- Lower than expected bad debt provision for both rent arrears and tenants rechargeable repairs (£0.209m).

These additional savings were partially offset by:

- The management fee to the ALMO (2010 Rotherham Ltd) was increased by £0.944m to fund additional pension and severance costs relating to the downsizing of the workforce
- Responsive repairs and maintenance costs are greater than anticipated £0.209m with savings on interest repayments (£0.048m) partially offsetting this resulting in a net position of £0.161m.
- Reduced interest receivable £0.143m.

2.3 Trading Services

The Authority's Trading Services generated a net surplus of £2.152m in 2009/10 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 39) is included later within this Statement of Accounts.

3 Capital Spend and Borrowing in 2009/10

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 2009/10 amounted to £151.124m and comprised the following:

	2009/10 £m
Children & Young People Services	20.513
Neighbourhoods	
- Housing Revenue Account Element	67.150
- General Fund Element	11.241
Adult Social Services	0.645
Environment & Development Services	38.223
Culture and Leisure	8.848
Financial Services	4.504
Total	151.124

(b) Financing of this expenditure is analysed below:

	2009/10 £m
Borrowing need	82.402
Major Repairs Allowance (MRA)	11.189
Grants & Other Contributions	51.436
Capital Receipts	3.298
Internal Funds (e.g. Reserves, etc)	2.799
Total	151.124

(c) Major items of capital expenditure incurred during 2009/10 are as follows:

	2009/10 £m
<u>Non Housing</u>	
Clifton Park Urban Restoration	3.947
Ulley Reservoir	3.013
Herringthorpe Primary School	2.655
Canklow Woods Primary School	1.482
Principal Roads	6.207
New Depot	3.146
Bellows Road Shopping Complex	3.256
Aston Joint Service Centre	6.565
Doncaster Gate Offices	2.380
Rotherham Connect	1.141
Technical Refresh	1.061
<u>Housing Investment Programme</u>	
Disabled Adaptations – Public Sector	1.714
Non-traditional Investment - Structural	2.127
Replacement of Boilers Containing Asbestos	1.140
Decent Homes	59.831
Disabled Adaptations - Private Sector	1.515
Housing Pathfinder Projects	6.994

(d) The Council's borrowing activities based upon principal amounts during 2009/10 are summarised as follows:

2008/09 £m		2009/10 £m
381.346	Balance as at 1 April	416.296
	Plus:	
70.000	New long-term borrowing	25.000
	Less:	
-35.050	Long-term borrowing repaid	-28.660
0.000	Re-classified as temporary borrowing (repayable in the following financial year)	-15.000
416.296	Balance as at 31 March	397.636

The Council's operational boundary for external debt for the year was £654.194m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £715.131m.

Temporary Borrowing

2008/09 £m		2009/10 £m
0.000	Balance as at 1 April	0.000
180.707	Plus:	165.630
0.000	New temporary borrowing	15.000
	Re-classified from long-term borrowing	
180.707	Less:	180.630
180.707	Repayments in the year	165.630
0.000	Repayment of prior year's reclassified long-term borrowing	0.000
180.707		165.630
0.000	Balance as at 31 March	15.000

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 2009/10, Rotherham MBC received £13.064m in MRA, which was added to the £0.320m balance brought forward from 2008/09. MRA resources of £11.189m were utilised in 2009/10 and £2.196m Major Repairs Allowance was carried forward into 2010/11 within the Major Repairs Reserve (MRR) of which £0.920m is earmarked for continuing investment in non traditional properties.

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. The Council submitted an Outline Business Case in

January 2010 to Partnerships for Schools for a Project involving seven schools under the Building Schools for the Future Programme. 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.

As noted in accounting policy note 10, there has been a change to the way in which PFI schemes are accounted for as part of the conversion of local authority accounting with International Financial Reporting Standards (IFRS). This has led to the Council's two PFI schemes which were in operation at 1 April 2009 (schools and leisure) being brought on balance sheet at that date as a prior period adjustment.

At the same time, previous accounting entries have been reversed out resulting in the removal from the balance sheet of certain other PFI related balances.

The overall effect on the balance sheet at 1 April 2009 is summarised in the table below:

	Schools PFI £000	Leisure PFI £000	Waste PFI £000	Dignity PPP £000	RBT £000	Total £000
Tangible Fixed Assets	128,997	20,669	442	0	0	150,108
PFI Liability – long term	-81,385	-13,200	0	-275	-12,782	-107,642
PFI Liability – short term	-1,696	45	0	211	-1,171	-2,611
Capital Adjustment Account	-33,197	-641	0	64	13,953	-19,821
Revaluation Reserve	Nil	-987	0	0	0	-987
Deferred Consideration	-3,270	-4,759	0	0	0	-8,029
PFI Residual Debtor	-8,804	-129	0	0	0	-8,933
General Fund Balance	-645	-998	-442	0	0	-2,085

The Council has taken advantage of the protection offered under IFRS transitional rules to ensure that the impact of this change in treatment is revenue neutral, other than to capitalise PFI procurement costs of £2,085,000 which are directly attributable to bringing PFI assets into use. These were previously charged to revenue when the schemes were off balance sheet.

Prior year comparatives have also been restated in the I&E, Statement of Movement on General fund Balance, Statement of Total Recognised Gains and Losses, and, Cash Flow Statement to reflect the change in treatment.

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 £22m 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 £311.2m (2008/09 £200.6m), which is a increase in the deficit of £110.6m on the position as at 31 March 2009. 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.

9 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 (CPA) in 2006 and maintained this level in both 2007 and 2008. Indeed Rotherham was one of only 21 councils to have achieved this score. Since 2009 the CPA has been replaced by the Comprehensive Area Assessment (CAA). Under its revised set of assessment criteria for councils it looks at how well publicly funded organisations listen to local people when setting priorities; whether they deliver what people want and provide value for money. Under this revised Use of Resources assessment the Council achieved a score of 3 out of 4, and with only 10 Councils scoring higher.

The Council is currently refreshing its Medium Term Financial Strategy (MTFS) which will be aligned with a refreshed Corporate Plan, the Government's Emergency Budget to be announced on 22 June 2010 and the Government's Comprehensive Spending Review, when it is announced in the Autumn.

Indeed, when the 2010/11 Budget was considered for approval the report indicated an expectation that the level of resources available to local

government would be significantly constrained after the May 2010 General Election. This expectation was based on the view that whichever party of government was elected it would be faced with realigning the public finances to start to reduce the level of public debt that had been generated to correct the economy in the wake of the severe economic downturn.

At the end of May the Government initially announced a £6.2bn reduction in public expenditure in 2010/11, of which £1.166bn was to be met by reductions in grants to local councils. Rotherham's share of the reduction currently stands at £4.5m in revenue grants, mainly Area Based Grants and Local Area Agreement Reward Grant, and £2.6m in capital grants for regeneration schemes. It is possible that further reductions will be announced and it will be important for the Council, together with its partners, to be geared up to meet the challenge positively and promptly.

The MTFS will therefore:

- 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 2010/11 at £216.985m and, in addition, Dedicated Schools' Grant (DSG) provides £172.414m 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 whilst identifying efficiency savings from the way the Council supports and manages front line services to the public right across the board.
- 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, or in appropriate, cases by the commissioning residential care, or by providing additional contact and support workers (+£3.100m).

Safeguarding vulnerable adults – improving further the Council's performance and reflecting increasing demand for services that has resulted from changes in the age profile of the local adult population (+£1.300m).

Maintaining public transport facilities – through the South Yorkshire Integrated Transport Authority Levy providing additional resources to protect vital tendered bus services across the Borough (+£0.367m).

Devolved Budgets for Area Assemblies – helping to ensure that local priorities for services are identified and acted upon (+£0.140m).

Supporting a continuing major programme of capital investment across the Borough – provision has been made for the additional revenue consequences of the Council's investment in schools, pools, customer services and regeneration in the town centre (+£4.400m).

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.

In setting the Budget, the Council set the lowest level of Council Tax increase in over a decade (a 2.7% increase) and the fifth consecutive year on year percentage decrease due to prudent financial management which has produced the continuing healthy General Fund position detailed on page 4 of the Explanatory Foreword.

Transition to International Financial Reporting Standards (IFRS)

The current year is the final year of the phased introduction of International Reporting Standards to local authority statements of accounts. From 1 April 2010 IFRS will be fully applicable to the Council's statement of accounts. From that date local government, central government and the health service will for the first time be accounting on a consistent basis. As a consequence amendments have been made to the accounting treatment of some financial information in 2009/10. The most significant of these for the Council are the accounting requirements for Private Finance Initiative (PFI) and similar contracts. These are no longer based on UK Accounting Standards (FRS 5) but on IFRS and the effect of this change will be to bring these schemes on to the Council's balance sheet. The changes apply to contracts entered into from 1 April 2009 and also to PFI and similar contracts existing at 31 March 2009 for which prior period adjustments are required in the statement of accounts.

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 have been prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice" (SORP), 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 will be applied both within the year and between years. Where accounting policies have changed the reason and effect will be disclosed. The accounting policies of the Authority are presented for approval to the Council's Audit Committee.

The main changes introduced with SORP 2009 are:

- the accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Reporting Standards;
- accounting for local taxes (National Non-domestic Rates and Council Tax) was not covered in detail in previous SORPs and the requirements are for the first time included specifically;
- amendments clarifying an issue around hedge accounting as it relates to financial instruments and the disclosure of dividends declared after the Balance Sheet Date;
- an amendment has been made to the disclosure of long-term liabilities;
- five disclosures notes have been removed as requirements of the SORP:
 - Section 137 expenditure
 - Expenditure on publicity
 - Building Control Account
 - Business Improvement Districts
 - Income under the Local Authority Goods and Services Act 1970
- the requirement to disclose officers remuneration has been amended to refer to the applicable regulations rather than referring only to the requirements of the current regulations. The regulations have been amended in February 2010 and require the disclosure note to include the number of officers whose remuneration was £50,000 and above in rising bands of £5,000 instead of the previous £10,000 bands.

A separate more detailed disclosure is now required of senior officers whose salary is either more than £150,000 or is above £50,000 and is

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body;
- the head of staff for a relevant body which does not have a designated head of paid service; or
- any person having responsibility for the management of the relevant body.

2 Revenue Income and Expenditure

2.1 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 which nevertheless generally represents a full year's expenditure.

2.2 Interest

External interest payable and receivable is charged/credited to the Income and Expenditure Account on an accruals basis and in accordance with the requirements for accounting for financial instruments.

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. This is effected by way of an appropriation from the General fund.

2.3 Area Based Grant

From 2008/09 Local Area Agreement Grant (LAA) was 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. The amount of ABG allocated in any given year is as a consequence credited to the Income and Expenditure Account in full along with other general sources of income.

2.4 Pension Costs

The Authority participates in two pension schemes:

- (i) Teachers Pension Scheme
- (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.

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.

2.5 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 is apportioned to services on a percentage basis;
- The costs of office accommodation is pooled and recharged to services on the basis of floor area occupied.

In addition, BVACOP requires that the following items of expenditure are 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.
- (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.
- (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.

- (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.

2.6 Revenue Grants

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

2.7 Trading Accounts

Trading operations are carried out as an integral part of the revenue budget of the "parent service". For financial reporting purposes the surplus/deficit for the year of significant trading operations are separately identified in the Income and Expenditure Account to comply with the requirements of BVACOP.

2.8 Back pay arising from equal pay claims

Claims arising from unequal pay claims, or social security costs or other costs incurred by the authority in relation to that back payment have taken and continue to take several years, requiring a provision for these claims.

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 (e.g. flood damage), then an impairment loss is charged to the service that uses the asset – impairment losses are also charged 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 continues to operate 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 cost 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 is not 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/Revenue Expenditure Funded by Capital Under Statute

Revenue Expenditure Funded by Capital Under Statute represents expenditure which may properly be capitalised, but do not produce tangible fixed assets e.g. Improvement Grants.

Revenue Expenditure Funded by Capital Under Statute is charged to the Income and Expenditure Account in the year in which expenditure is incurred together with any associated capital grant, to revenue in the year.

Deferred costs such as 'capitalised' redundancy costs are not carried as an intangible fixed asset on the Balance sheet but are a reconciling item on SMGFB. Purchased software licences are capitalised as part of overall project costs. Internally developed intangible assets are only capitalised if there is a readily ascertainable market.

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 is 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 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 2009/10 financial year:

- (a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the Regulations;
- (b) 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
- (c) 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.
- (d) The timing of the MRP charge to the revenue account will be in line with the Council's depreciation policy for the asset.
- (e) Where an amount has been used to reduce a liability arising from a Finance lease or PFI arrangement rather than being charged to revenue an MRP charge equal to that amount will be added to the annual MRP charge.

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 are 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 Current Liabilities

5.1 Long-term liabilities

The proportion of any long-term liabilities due to be settled within 12 months after the Balance sheet date are included within current liabilities.

6 Provisions, Reserves and Contingencies

6.1 Provisions

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

6.2 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.

6.3 Contingencies

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

7 Financial Instruments

7.1 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.

7.2 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 are also recognised in the same way.

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

7.3 Initial Measurement

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

7.4 Fair Value

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

7.5 Implementation

The authority complies 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 in the Statement of Accounts.

7.6 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.

7.7 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 are 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.

7.8 Premiums and discounts

Premiums and discounts incurred prior to 1 April 2006 have been 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 have been/are immediately fully written off to revenue.

In accordance with Government Regulations the impact has been/is offset through a transfer to a Financial Instruments Adjustment Account disclosed within the Statement of Movement in the General Fund Balance and balances held in the Financial Instruments Adjustment Account are written off to revenue in accordance with Government Regulation.

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 2007 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.

8 Group Accounts

- 8.1 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.

9 Value Added Tax (VAT)

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

10 Private Finance Initiative and Similar Contracts

Where the Council has entered into a PFI or similar contract then the Council will recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease, if:

- this involves an operator constructing, acquiring or enhancing and then operating and managing an infrastructure asset in order to provide or enable the Council to provide services to the public; and,
- the Council controls or regulates the services provided through use of the asset and has a significant residual interest in the asset.

then the Council will recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease. The remaining service element of the contract payment will be charged to revenue as incurred.

As this represents a change of accounting policy, a prior period adjustment has been made to bring on to the Balance Sheet at 1 April 2009, the carrying value of PFI assets together with the related liability and to reverse out the accounting entries made under the old policy (note 6 of the Explanatory Foreword refers).

11 Landfill Allowance Trading Scheme

- 11.1 Allowances held will be recognised and classified as current assets, their value being initially measured at fair value.
- 11.2 Landfill allowances are issued free by DEFRA and the fair value of the allowances is a Government grant which is accounted for under SSAP 4 Accounting for Government Grants.
- 11.3 The liability arising from actual landfill usage is recognised as a provision falling within the scope of FRS 12 Provisions, Contingent Liabilities and Contingent Assets.
- 11.4 Re-measurement of landfill allowances will be carried out on a lower of cost and net realisable value basis.

12 Collection Fund Local Taxes

12.1 Council Tax

Council Tax Debtors are shown exclusive of the proportions attributable to the major preceptors.

Council Tax income for the financial year credited to the Income and Expenditure Account is the accrued income for the year together with the share of the surplus/deficit on the Collection Fund at the end of the previous financial year. The difference between this amount and the Council Tax income credited to the General Fund is a reconciling amount in the SMGFB.

12.2 National Non-Domestic Rates

A National Non-Domestic Rates Debtor represents the amount collected on behalf of the Government but not yet paid over at the Balance Sheet date.

A National Non-Domestic Rates Creditor represents the amount collected on behalf of the Government but overpaid at the Balance Sheet date.

- 12.3 As this represents a change of accounting policy, a prior period adjustment has been made to reflect these changes on Main Financial Statements for 2008/09

	£000
I&E – Demand on Collection Fund & Transfer from Collection Fund in respect of Surpluses/Deficits	-777
Statement of Movement on the General Fund Balance - Difference between amounts credited to the I&E and amount receivable to be recognised under statutory provisions relating to council tax accrued income	777
Statement of Recognised Gains and Losses – Deficit on the I&E Account	-777
Statement of Recognised Gains and Losses – Other (gains) or losses	777
Balance Sheet – Debtors	-1,132
Balance Sheet – Creditors	1,132

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 2009/10

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 2008/09 Net Cost £000		Gross Expenditure £000	Gross Income £000	2009/10 Net Cost £000	Note
80,140	Adult Social Care	120,402	-36,351	84,051	
1,487	Central Services to the Public	2,797	-998	1,799	
74,921	Education and Children Services	393,500	-280,340	113,160	
473	Court and Probation Services	450	-10	440	
47,177	Cultural, Environmental Regulatory and Planning Services	82,919	-31,139	51,780	
29,315	Highways and Transport Services	31,417	-3,151	28,266	
141,204	Local Authority Housing (HRA)	128,161	-72,119	56,042	
-575	Other Housing Services	112,759	-109,158	3,601	
15,771	Corporate and Democratic Core	2,340	-2,763	-423	
1,537	Non Distributed Costs	1,804	0	1,804	
391,450	Net Cost of Services	876,549	-536,029	340,520	
1,181	Gain(-) or loss on disposal of fixed assets	2,004	0	2,004	
0	Gain(-) or loss on disposal of long term investments	0	0	0	
2,003	Parish Council Precepts	2,064	0	2,064	19
1,755	County and Other Levies	1,833	0	1,833	
-834	Dividends and (Surplus)/Deficit on Trading undertakings	0	-2,152	-2,152	5
34,494	Interest Payable or Similar Charges	32,084	0	32,084	27
-8,201	Interest & Investment Income	0	-1,576	-1,576	15
11,766	Pensions interest cost and expected return on pension assets	18,192	0	18,192	13
1,191	Amounts payable into the Housing Capital Receipts Pool	958	0	958	17
434,805	Net Operating Expenditure	933,684	-539,757	393,927	
-29,613	General Government Grants			-38,414	8
-7,354	PFI Support Grants			-8,033	4
-100,197	Non Domestic Rates redistribution			-96,632	
-90,387	Demand on Collection Fund			-93,981	
207,254	Income and Expenditure Deficit/ (Surplus)			156,867	

Statement of Movement on the General Fund Balance

Restated 2008/09 £000		2009/10 £000	Note
207,254	(Surplus)/deficit for the year on the Income and Expenditure Account for the year	156,867	1
-207,099	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-154,861	
155	(Increase)/decrease in General Fund Balance for the Year	2,006	
-15,899	General Fund Balance Brought Forward	-13,800	
1,944	Transfers to(-)/from(+) General Fund Balance in the Year	2,916	
-13,800	General Fund Balance Carried Forward	-8,878	
-4,913	Amount of General Fund Balance held by Governors under schemes to finance schools (in year decrease £2.165m)	-2,748	
-8,887	Amount of General Fund Balance generally available for new expenditure	-6,130	
-13,800		-8,878	

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £102.340m (£42.171m gain in 2008/09 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £228.978m.

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 2008/09 £000		2009/10 £000	Note
207,254	(Surplus)/deficit on the Income and Expenditure Account	156,867	
-12,436	(Surplus)/deficit on Revaluation of Fixed Assets	-22,502	
0	(Surplus)/deficit on Revaluation of Available for Sale Assets	0	
-42,171	Actuarial (gains)/losses on pension fund	102,340	
-664	Other (gains) or losses	-731	
-26,777	Prior year adjustments	0	
125,206	Total of recognised (Gains) and Losses	235,974	

Restated 2008/09			2009/10		
£000	£000		£000	£000	Note
	793	<u>Long-term Assets</u>			
		Intangible Fixed assets		581	21
		<u>Tangible Fixed assets</u>			
		<u>Operational Assets</u>			
717,585		Council Dwellings	698,632		
558,672		Other Land & Buildings	527,792		
		Vehicles, Plant, Furniture & Equipment	6,542		
4,905		Infrastructure Assets	74,004		
61,708		Community Assets	1,521		
1,945			1,308,491		20
1,344,815		<u>Non-Operational Assets</u>			
		Investments Properties	30,774		
31,105		Surplus Assets	50,861		
52,286		Assets under Construction	39,585		
29,560			121,220	1,429,711	20(ii)
112,951	1,457,766				
	1,458,559	<u>Total Fixed Assets</u>		1,430,292	
	21,080	Long-term Investments		10,324	25
	523	Long-term Debtors		559	28
	1,480,162	<u>Total Long-Term Assets</u>		1,441,175	
		<u>Current Assets</u>			
449		Stock and Work in Progress	436		32
52,541		Debtors	59,137		33
360		Landfill Usage Allowances	64		47d.v
66,294		Short-term Investments	6,074		25
18,765		Cash in hand or at Bank	20,396		50
138,409			86,107		
		<u>Current Liabilities</u>			
-101,840		Creditors	-97,794		34
-4,792		Short-term Borrowing	-19,677		25
		Short-term PFI Finance Lease Liabilities	-3,538		4e
-2,867		Deferred Liabilities	-804		35
-731		Bank overdrawn	-23,299		50
-2,889					
-113,119	25,290	<u>Total Assets less Current Liabilities</u>	-145,112	-59,005	
	1,505,452			1,382,170	
-416,638		Long-term Borrowing	-397,753		25
-14,900		Deferred Liabilities	-14,095		35
-21,306		Provisions	-16,455		39
-87,967		Government Grants Deferred	-98,664		40
		Unapplied Capital Grants / Contributions	-26,594		41
-17,401		Long-term PFI Finance Lease Liability	-114,146		4e
-107,642		Long-term Creditor	-231		
0		Pensions - Liability	-311,246		13
-200,638					
	-866,492			-979,184	
638,960		<u>Total Assets less Liabilities</u>		402,986	

The preceding statements together with associated notes have been restated for 2008/09 as a result of the revision in the accounting treatment of PFI and similar contracts, Council Tax and NNDR.

The preceding statements together with associated notes have been restated for 2008/09 as a result of the revision in the accounting treatment of PFI and similar contracts, Council Tax and NNDR.

Cash Flow Statement for the period ended 31 March 2010

Restated 2008/09 £000 £000		2009/10 £000 £000		Note
		REVENUE ACTIVITIES		
		Cash Outflows:		
310,875		Cash paid to and on behalf of employees	316,932	
296,103		Other Operating Costs	310,578	
21,902		Housing Benefit paid out	29,156	
2,002		Precepts paid	2,064	
<u>1,960</u>	632,842	Payments to Capital Receipts Pool	<u>624</u>	659,354
		Cash Inflows:		
-22,871		Rents (after rebates)	-22,709	
-74,320		Council Tax Income	-75,387	
-100,197		National non-domestic rates receipts from pool	-96,632	
-13,948		Revenue Support Grant	-22,304	
-20,624		DWP Grants for Benefits	-29,040	
-314,908		Other Government Grants	-329,954	
-110,692		Cash received for Goods and Services	-126,761	
<u>-13,225</u>	-670,785	Other Operating Cash Receipts	<u>-9,396</u>	-712,183
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		Cash Outflows:		
21,990		Interest Paid	20,465	
<u>10,244</u>	32,234	Interest element of finance lease payments	<u>11,021</u>	31,486
		Cash Inflows:		
<u>-8,044</u>	<u>-8,044</u>	Interest Received	<u>-3,621</u>	<u>-3,621</u>
-13,753	-13,753	Net Revenue Cash Inflow		-24,964
		CAPITAL ACTIVITIES		
		Cash Outflows:		
165,831		Purchase of Fixed Assets	153,464	
<u>9,983</u>	175,814	Purchase of Long Term Investments	<u>0</u>	153,464
		Cash Inflows:		
-8,129		Sale of Fixed Assets	-1,931	
-45,865		Capital Grants Received	-36,248	
<u>-15,159</u>	<u>-69,153</u>	Other Capital Income	<u>-4,934</u>	<u>-43,113</u>
92,908	92,908	Net Cash Outflow		85,387
		ACQUISITIONS AND DISPOSALS		
	-5,000	Sale of Long term investment		-10,225
	<u>0</u>	Investments in Associates or Joint Ventures	<u>0</u>	<u>0</u>
87,908	87,908	Net Cash Outflow Before Financing		75,162
		MANAGEMENT OF LIQUID RESOURCES		
-70,643		Net change in short term deposits	-58,806	
<u>1,681</u>	-68,962	Net change in other liquid resources	<u>-3,848</u>	-62,654
		FINANCING		
		Cash Outflows:		
215,757		Repayments of amounts borrowed	194,290	
<u>2,105</u>	217,862	Capital element of finance lease rental payments	<u>2,611</u>	196,901
		Cash Inflows:		
-70,000		New Loans Raised	-25,000	
<u>-180,707</u>	-250,707	New Short Term Loans	<u>-165,630</u>	-190,630
-13,899		Cash decrease(+) / increase (-)		18,779

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Restated 2008/09 £000		2009/10 £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		
-390	Amortisation of Intangible Fixed Assets	-390	i
-194,666	Depreciation and Impairment of fixed assets	-181,146	ii
-5,793	Excess HRA depreciation over MRA	-3,556	iii
2,301	Government Grants Deferred Amortisation	11,472	iv
-32,653	Revenue expenditure funded from Capital under Statute	-9,476	v
26,846	Writing out of capital grant funding of Revenue expenditure funded from Capital under Statute and impairment	29,267	vi
-1,181	Net gain or (loss) on disposal of fixed assets	-2,004	vii
223	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 and council tax accrued income	1,756	viii
-34,820	Net charges made for retirement benefits in accordance with FRS17	-33,205	ix
-240,133	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	-187,282	
13,892	Minimum revenue provision for capital financing	10,286	x
1,600	Capital expenditure charged in year to the General Fund Balance	2,799	xi
-1,191	Transfer from Usable Capital Receipts for Housing Pooled Capital Receipts	-958	xii
24,468	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	24,937	xiii
-201,364	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	-150,218	
-287	Housing Revenue account balance	697	xiv
0	Voluntary provision for repayment of debt	0	xv
-5,448	Net Transfer to/from (-) earmarked reserves	-5,340	xvi
-207,099	Net Additional Amount required to be credited to the General Fund Balance for the year	-154,861	

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 other capital receipt gains and losses included in the IE Account
- viii Reversal of amounts debited/credited to the IE Account in line with Government Regulations
- ix Pensions adjusting amount. Difference between pensions cost calculated in accordance with the SORP (ie FRS 17) and contributions due under Pension Scheme Regulations
- x Statutory provision for loan repayment (MRP)
- xi Capital Expenditure financed from revenue i.e. being charged to the General Fund Balance and hence reducing the net surplus
- xii Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool
- xiii The employers' contributions and payments payable to the pension fund in accordance with the Pension Scheme Regulations
- xiv Statutorily required transfer of surplus or deficit for the year on HRA to HRA Balance
- xv Any voluntary provision for repayment of debt
- xvi 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 2009/10.

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

As at 31 March 2010 the Council had two long-term contracts under Private Finance Initiative (PFI) arrangements, was negotiating one other, and had submitted an Outline Business Case to Partnerships for Schools in respect of a fourth Project. In addition, it has in place two partnership agreements.

As noted in accounting policy note 10, there has been a change to the way in which PFI schemes and similar contracts are accounted for as part of the conversion of local authority accounting with International Financial Reporting Standards (IFRS). This has led to the Council's two PFI schemes which are in operation (Schools and Leisure) and public private partnership with Dignity Limited for the provision of bereavement services being brought on balance sheet. The overall effect of bringing these schemes on balance sheet as at 1 April 2009 is summarised in Note 6 of the Explanatory Foreword.

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

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 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 the schools were completed in line with the original programme. At the expiry of the contract all the schools transfer back to the Council for nil consideration. 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 £12,349,176 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. The contract expires on 31st October 2041, when all the assets transfer back to the Council for nil consideration. £24.954m of PFI Credits have been awarded to support the scheme. All of the 5 facilities are now open, the last remaining facility, the Maltby Pool and Leisure centre opened in February 2010. Payments during the year totalled £3,201,376. In the same period the Council received £1,810,796 of PFI grant in support of this project.

(c) Bereavement Services Partnership

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008 who now manage the Borough's bereavement services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the Assets revert back to the Council for nil consideration. 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 physical payments are made to Dignity who collect all the income on the Council's behalf, the cost of the service is met by our partner

out of this income, from this they will pay the Council a guaranteed annual sum. The Council received £384,543 in 09/10 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, and is now down to two bidders, with contract award programmed for March 2011. No payments have yet been made.

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.

(e) Obligations under PFI and similar contracts which are on balance sheet

The Table below shows the restatement of 2008/09 and 2009/10 comparatives as a result of the recognition by the Council of outstanding finance lease liabilities arising from the change of accounting policy in respect of PFI and PPP schemes.

	Restated 2008/09						2009/10				
	Schools PFI £m	Leisure PFI £m	Dignity PPP £m	RBT £m	Total £m		Schools PFI £m	Leisure PFI £m	Dignity PPP £m	RBT £m	Total £m
Balance as at 1 April	0.000	0.000	0.000	0.000	0.000	Balance as at 1 April	-83.081	-13.155	-0.064	-13.953	-110.253
Prior period adjustment	-84.670	0.000	0.000	-14.649	-99.319	Prior period adjustment	0.000	0.000	0.000	0.000	0.000
Restated as at 1 April	-84.670	0.000	0.000	-14.649	-99.319	Balance as at 1 April	-83.081	-13.155	-0.064	-13.953	-110.253
New Liabilities arising in year	0.000	-13.039	0.000	0.000	-13.039	New Liabilities arising in year	0.000	-6.916	-2.914	0.000	-9.830
Principal repaid	1.589	-0.116	-0.064	0.696	2.105	Principal repaid	1.696	-0.045	-0.211	1.171	2.611
Balance carried forward	-83.081	-13.155	-0.064	-13.953	-110.253	Balance carried forward	-81.385	-20.116	-3.189	-12.782	-117.472

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

	Schools PFI Finance Lease Liability £m	Schools PFI Finance Lease Interest £m	Schools PFI Service Charges £m	Leisure PFI Finance Lease Liability £m	Leisure PFI Finance Lease Interest £m	Leisure PFI Service Charges £m	RBT Finance Lease Liability £m	RBT Finance Lease Interest £m	RBT Service Charges £m
Within one year	1.786	6.287	4.567	0.181	1.973	1.786	1.571	2.561	19.359
In the 2 nd to 5 th years inclusive	6.519	23.791	21.932	1.266	7.617	7.427	11.211	5.849	83.157
In the 6 th to 10 th years inclusive	9.838	26.955	32.624	1.788	8.766	11.179	0.000	0.000	0.000
In the 11 th to 15 th years inclusive	14.500	22.177	37.872	2.122	7.817	13.471	0.000	0.000	0.000
In the 16 th to 20 th years inclusive	22.297	15.323	42.735	1.392	7.006	16.910	0.000	0.000	0.000
In the 21 st to 25 th years inclusive	26.445	5.042	37.486	3.917	5.794	17.745	0.000	0.000	0.000
In the 26 th to 30 th years inclusive	Contract completed	Contract completed	Contract completed	6.603	3.281	20.000	0.000	0.000	0.000
In the 31 st to 35 th years inclusive	Contract completed	Contract completed	Contract completed	2.847	0.283	6.905	0.000	0.000	0.000

Expenditure to be incurred under the Bereavement Services Partnership:

	Dignity Finance Lease Liability £m	Dignity Finance Lease Interest £m	Dignity Service Charges £m
Within one year	-0.213	0.351	1.354
In the 2 nd to 5 th years inclusive	-0.593	1.673	6.214
In the 6 th to 10 th years inclusive	-0.623	2.365	8.988
In the 11 th to 15 th years inclusive	-0.450	2.631	10.855
In the 16 th to 20 th years inclusive	0.081	2.745	13.442
In the 21 st to 25 th years inclusive	0.928	2.527	16.580
In the 26 th to 30 th years inclusive	2.273	1.837	20.486
In the 31 st to 35 th years inclusive	2.585	0.515	17.509

(f) Building Schools for the Future

The Council submitted an Outline Business Case in January 2010 to Partnerships for Schools for a Project involving a combination of new build and major refurbishment at 5 secondary schools, one primary school and one special school, the primary and special schools being co-located on a campus with the Maltby Academy. This Project is currently timetabled to reach contract signature in Autumn 2011.

(g) 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 2010 are available and the details are shown below:

31 March 2009 £000		31 March 2010 £000
30,136	Turnover	30,040
25	Profit before taxation	11
0	Profit after taxation	30
44	Net Assets	74

During the financial year RBT (Connect) Ltd provided services worth £32.467m to the Council. At the 31 March 2010 a sum of £4,536,618 was payable by RBT (Connect) Ltd to the Council and £2,349,930 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 (£0.877m 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:

2008/09 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2009/10 Surplus(-)/ Deficit (+) £000
-100	Construction, Street Cleansing and Landscaping	11,881	-12,189	-308
-102	Vehicle Maintenance/Transport	1,106	-1,454	-348
-402	Property Services – Fee-billing	3,058	-3,887	-829
24	Engineering – Fee-billing	1,773	-1,772	1
-74	Cleaning of buildings	4,906	-5,136	-230
-12	Markets	1,085	-976	109
-3	Building Regulations Control	593	-605	-12
-383	School Support Services	9,171	-9,769	-598
87	Rotherham Partnership	162	-99	63
57	Rotherham Management System *	-	-	-
74	Rotherham Newspaper *	-	-	-
-834	(Surplus)/Deficit	33,735	-35,887	-2,152

* Rotherham Management System and Rotherham Newspaper ceased to be Trading Services at 31 March 2009.

The surplus, as shown above, has not been allocated to specific services within the accounts, and the net surplus of £2.152m is disclosed within the Income and Expenditure Account as part of Net Operating Expenditure. This net amount incorporates a £0.877m decrease on expenditure arising from the adoption of FRS 17 in the accounts.

Note 6 **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) Depreciation methods have not changed and have been applied consistently.
- (e) Amortisation methods have not changed and have been applied consistently writing down deferred charges.

Note 7 **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:

2008/09 £000	Intermediate Care	2009/10 £000
-1,362	Funding from NHS Rotherham	-1,385
-1,777	RMBC (Adult Social Services) Contribution	-1,848
-3,139	Total Gross Income	-3,233
2,769	Total Gross Expenditure	3,106
-370	Net Expenditure (+)/Income (-)	-127

2008/09 £000	Learning Disability Services	2009/10 £000
-9,965	Funding from NHS Rotherham	-3,611
-16,459	RMBC (Adult Social Services) Contribution	-27,861
-26,424	Total Gross Income	-31,472
25,817	Total Gross Expenditure	30,477
-607	Net Expenditure (+)/Income (-)	-995

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.

2008/09 £000	Integrated Equipment Store	2009/10 £000
-941	Funding by NHS Rotherham	-959
-421	RMBC (Adult Social Services) Contribution	-429
-1362	Total Gross Income	-1388
1,523	Total Gross Expenditure	1,591
161	Net Expenditure (+)/Income (-)	203

Note 8 **General Government Grants**

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

Restated 2008/09 £000		2009/10 £000
-13,948	Revenue Support Grant (RSG)	-22,304
-15,665	Area Based Grant (ABG)	-15,377
0	Local Area Agreement (LAA) Reward Grant	-519
0	Local Authority Business Growth Incentive Grant	-180
0	Planning Development Grant	-34
-29,613	Total	-38,414

Note 9 **Members' Allowances**

Members' allowances and expenses during the year totalled £1,134,838 excluding Joint Authority allowances (2008/09 £1,112,498 excluding Joint Authority allowances). The employers' pension contributions associated with these allowances was £59,470 (2008/09 £53,238). Detailed information about Members' Allowances can be obtained from the Strategic Director of Finance, Council Offices, Doncaster Gate, Doncaster Road, Rotherham, S65 1DJ.

Note 10 **Staff Remuneration**

The Accounts and Audit Regulations 2003 require the disclosure of certain information relating to officers' emoluments. Details of the number of employees whose remuneration was £50,000 or more, expressed in bands of £5,000 is as follows:

2008/09			2009/10	
Restated Officers Total	Restated Teachers Total		Officers Total	Teachers Total
25	71	£50,000 - £54,999	27	87
9	40	£55,000 - £59,999	11	52
2	22	£60,000 - £64,999	7	31
3	9	£65,000 - £69,999	4	12
11	4	£70,000 - £74,999	10	5
1	3	£75,000 - £79,999	1	2
3	0	£80,000 - £84,999	2	3
1	4	£85,000 - £89,999	1	0
0	2	£90,000 - £94,999	0	4
0	1	£95,000 - £99,999	0	1
0	2	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	0	1
3	0	£110,000 - £114,999	4	2
0	0	£115,000 - £119,999	0	0
0	0	£120,000 - £124,999	0	0
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	0	0
1	0	£160,000 - £164,999	Refer to Notes 1 and 2	0

In accordance with the Accounts and Audit Regulations 2003, Senior Officers Remuneration and Employers Pension Contribution for the Council are as follows:

Strategic Leadership Team Job Title/Employee	Total remuneration excluding employer pension contributions	Pension employer contribution	Total remuneration excluding employer pension contributions	Pension employer contribution
	2008/09 £	2008/09 £	2009/10 £	2009/10 £
M Cuff Chief Executive Please refer to Note 1	163,083.00	27,887.19	63,567.30	10,870.00
M Kimber Chief Executive Please refer to Note 2	N/A	N/A	69,247.30	11,841.29
M Gladstone Assistant Chief Executive Policy and Performance	86,525.30	14,085.86	86,805.22	14,133.71
A Swann Assistant Chief Executive Human Resources Please refer to Note 3	34,518.45	5,902.65	N/A	N/A

Strategic Leadership Team Job Title/Employee	Total remuneration excluding employer pension contributions	Pension employer contribution	Total remuneration excluding employer pension contributions	Pension employer contribution
	2008/09 £	2008/09 £	2009/10 £	2009/10 £
P Howe Assistant Chief Executive Human Resources Please refer to Note 4	48,246.98	8,250.26	82,842.70	14,166.11
T Mumford Assistant Chief Executive Legal and Democratic Services	81,987.66	14,019.92	£82,704.92	14,142.56
T Cray Strategic Director Neighbourhoods and Adults Services	113,384.01	19,388.66	113,384.04	19,388.64
K Battersby Strategic Director Environment and Development Services	113,384.01	19,388.66	113,384.04	19,388.64
A Bedford Strategic Director of Financial Services	113,384.01	19,388.66	113,384.04	19,388.64
S Sharp Strategic Director of Children and Young Peoples Services Please refer to Note 5	27,965.76	4,782.14	N/A	N/A
J Thacker Strategic Director of Children and Young Peoples Services Please refer to Note 6	85,562.02	14,631.10	113,384.04	19,388.64
Total	868,041.20	147,725.10	838,703.60	142,708.23

Note 1

M Cuff left the Post of Chief Executive with effect from 21 August 2009.

Note 2

M Kimber commenced duties as Chief Executive with effect from 26 October 2009.

Note 3

A Swann left the Post of Assistant Chief Executive with effect from 31 August 2008.

Note 4

P Howe commenced duties as Assistant Chief Executive from 1 September 2008. Total earnings for the year 2008/09 was £67,380.33 which includes earnings of £19,133.35 from previous post April to August (£19,133.35 + £48,246.98 = £67,380.33).

Note 5

S Sharp left the Post of Strategic Director of Children and Young Peoples Services with effect from 1 July 2008.

Note 6

J Thacker commenced duties as Strategic Director of Children and Young People from 1 July 2008. Total earnings for the year 2008/09 was £106,954.18 which includes earnings of £21,392.16 from previous post April to June (£21,392.16 + £85,562.02 = £106,954.18).

Note 11 **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 37 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	232,619
Coalfields Communities Campaign	Subscription	10,000
Dinnington Resource Centre	Fees and charges	25,718
Full Life Christian Centre	Grant, fees and charges	92,160
Get Sorted Academy of Music	Fees and charges	93,156
Rotherham Advocacy Partnerships	Grant and charges	153,073
Rotherham Disability Information Services	Grant	12,485
Rotherham Diversity Forum	Grant	52,320
Rotherham Ethnic Minority Alliance Ltd	Grant and Charges	74,313
Rush House Project Ltd	Grant, fees and charges	653,259
Sheffield Wildlife Trust	Fees and charges	4,450
Tassibee Project	Fees and charges	5,650
United Multicultural Centre Ltd	Grant, fees and charges	99,065
Yemeni Community Association	Charges	13,114
<u>Member Related</u>		
Age Concern Rotherham Ltd	Fees and charges	17,013
Home-Start Rotherham	Grant and charges	13,277
Rotherham Advice & Information Network	Grant, fees and charges	16,251
Rotherham Arts	Grant and subscriptions	5,480
Rotherham Mind	Grant, fees and charges	317,468
Rotherham Rugby Union Football Club Ltd	Fees and charges	48,777
Rotherham Women's Refuge	Grant, fees and charges	364,292
Safe At Last	Grant, fees and charges	63,790
Swinton Lock Activity Centre	Grant, fees and charges	89,765
Thomas Rotherham College	Fees and charges	27,328
Voluntary Action Rotherham	Grant, fees and charges	1,175,271
Waste Recycling Ltd	Charges	990,007
<u>Officer Related Organisations</u>		
Churches Together in Rotherham	Passported donations	4,323
FACE Advice Centre	Grant, fees and charges	71,796
GROW	Grant, fees and charges	112,264
Kiveton Park Independent Advice	Grant	56,553
Rotherham Chamber of Commerce	Grant, fees and charges	181,368
Rotherham College of Arts and Technology	Grant, fees and charges	491,472
Rotherham NHS Foundation Trust	Grant, fees and charges	69,549
South Yorkshire Funding Advice	Grant	50,024
<u>Other Related Organisations</u>		
ITA Integrated Transport Authority / Executive	Levy, fees and charges	18,367,021
The Environment Agency	Levy, fees and charges	59,711

Note 12 **Audit Costs**

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

2008/09 £000		2009/10 £000
326	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	330
22	Fees payable to Audit Commission in respect of statutory inspection	17
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
448	Total	447

Note 13 **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 2009/10 the Authority paid employer's contributions calculated at 14.1% amounting in total to £12.960m (2008/09 £12.636m).

The total contributions expected to be made in the Teachers' Pension Scheme by the Council in the year to 31 March 2011 is £13.35m.

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 2009/10.

(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 47-48.

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 2009/10 the Council paid employer's superannuation contributions calculated at 16.7% amounting to £23.323m.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £23.116m.

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:

2008/09 £000		2009/10 £000
-19,707	Net Cost of Services	-13,126
-139	- Current Service Cost	-428
	- Past Service/Curtailment Cost	
-3,208	Net Operating Expenditure	
-45,968	- Current Service Cost – Trading Services	-1,459
34,202	- Interest Cost	-45,097
	- Expected Return on Assets in the Scheme	26,905
10,352	Amounts to be met from Government Grants and Local Taxation:	
	- Movement of Pensions Reserve	8,268
-24,468	Actual amount charged against Council Tax for pensions in the year:	
	- Employer's contributions payable to Scheme	-24,937

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.

Scheme History

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

2005/06 £m	Restated 2006/07 £m	Restated 2007/08 £m	2008/09 £m		2009/10 £m
-671.4	-680.2	-750.0	- 636.7	Present Value of Benefit Obligations	- 893.9
480.6	522.1	517.5	436.1	Fair Value of Assets	582.7
-190.8	-158.1	-232.5	-200.6	Surplus/(Deficit)	-311.2

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £311.2m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a positive overall balance of £402.986m. 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 31.7% (net of expenses) on the existing assets had been anticipated for 2009/10. 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 2010

2008/09 £m		2009/10 £m
260.8	Equities	376.5
74.6	Government Bonds	89.7
32.7	Bonds	46.0
46.6	Property	53.0
21.4	Other	17.5
436.1	Total	582.7

Assets and liabilities in relation to retirement benefits

The change in Benefit Obligations for the year ended 31 March 2010 is as follows:

2008/09 Unfunded £000	2008/09 Funded £000		2009/10 Unfunded £000	2009/10 Funded £000
-20,472	-749,942	Benefit Obligation at beginning of period	-17,490	-636,693
0	-19,707	Current Service Cost	0	-13,126
0	-3,208	Trading Services	0	-1,459
-1,212	-45,968	Interest on Pension Liabilities	-1,197	-45,097
0	-8,633	Member Contributions	0	-8,783
0	-108	Past Service Cost	0	0
2,975	166,607	Actuarial (gains)/loss on liabilities	-3,471	-214,820
0	-31	Curtailments	0	-428
0	0	Settlements	0	0
1,219	24,297	Benefits/Transfers paid	1,261	26,427
0	0	Business Combinations	0	0
-17,490	-636,693	Benefits Obligation at end of period	-20,897	-893,979

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 2010 is as follows:

2008/09 Unfunded £000	2008/09 Funded £000		2009/10 Unfunded £000	2009/10 Funded £000
0	517,485	Fair Value of Plan Assets at beginning of period	0	436,055
0	34,202	Expected return on Plan Assets	0	26,905
0	-124,436	Actuarial gains/(losses) on Assets	0	112,480
0	0	Business Combinations	0	0
0	0	Settlements	0	0
1,219	24,468	Employer contributions	1,261	24,937
0	8,633	Member contributions	0	8,783
-1,219	-24,297	Benefits/transfers paid	-1,261	-26,427
0	436,055	Fair Value of Plan Assets at end of period	0	582,733

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 £139.385m (-£90.234m 2008/09).

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:

2008/09		2009/10
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.5%
4.0%	Government Bonds	4.5%
6.0%	Bonds	5.2%
6.5%	Property	6.5%
0.5%	Cash/liquidity	0.5%
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
20.3	Men	20.4
23.2	Women	23.2
	Longevity at 65 for future pensioners:	
21.3	Men (in 20 years time)	21.3
24.1	Women (in 20 years time)	24.1
3.3%	Rate of inflation	3.3%
4.8%	Rate of increase in salaries	4.8%
3.3%	Rate of increase in pensions	3.3%
7.1%	Rate for discounting scheme liabilities	5.6%
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:

2008/09		2009/10
59.8%	Equity investments	64.6%
24.6%	Bonds	23.3%
15.6%	Other Assets	12.1%
100.0%		100.0%

Actuarial gains and losses relating to pensions

The actuarial gains and losses identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2010.

2005/06 £000	%	2006/07 £000	%	2007/08 £000	%	2008/09 £000	%		2009/10 £000	%
67,068	14.0	4,413	0.8	-46,372	9.0	-124,436	28.5	Differences between the expected and actual return on assets	-112,480	19.3
-8,066	1.2	0.0	0.0	-9,721	1.3	0	0.0	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 14 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 2009/10 are as follows:

Schools Budget Funded by DSG	Central Expenditure £000	Individual Schools Expenditure £000	Total £000
Final DSG for 2009/10			170,212
Brought forward from 2008/09			383
Carry forward to 2009/10 agreed in advance			0
Agreed budgeted distribution in 2009/10	13,368	157,227	170,595
Actual Central Expenditure for the year	13,514		
Actual ISB deployed to Schools		157,143	
Local Authority Contribution for 2009/10	0	0	0
Carry forward to 2010/11 (including carry forward to 2010/11 agreed in advance)	-146	84	-62

Note 15 **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 16 **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 £0.697m (£0.287m in 2008/09) 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 2009/10 is included on page 94.

Note 17 **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 18 **Capital Expenditure Financed from Revenue**

There was £2.799m (HRA £2.100m and General Fund £0.699m) capital expenditure financed from revenue in 2009/10 (£1.600m 2008/09).

Note 19 **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 20 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 2009	735,567	430,793	11,403	73,127	1,764	1,252,654
Prior Year Adjustments	0	155,607	5,935	0	185	161,727
Cost or Valuation						
At 1 April 2009	735,567	586,400	17,338	73,127	1,949	1,414,381
Additions:						
Capital Expenditure	66,096	16,748	3,067	6,016	974	92,901
PFI Adjustments	0	9,830	0	0	0	9,830
Donations	0	0	0	0	0	0
Disposals	-1,341	-593	-3	0	-240	-2,177
Re-classifications	-864	22,921	0	8,391	263	30,711
Revaluations	-85,322	-75,385	-21	-238	-1,418	-162,384
At 31 March 2010	714,136	559,921	20,381	87,296	1,528	1,383,262
Depreciation and impairments						
Accumulated Depreciation at 31 March 2009	-17,982	-21,203	-6,498	-11,419	-4	-57,106
Prior Year Adjustments	0	-6,525	-5,935	0	0	-12,460
At 1 April 2009	-17,982	-27,728	-12,433	-11,419	-4	-69,566
Charge for 2009/10	-16,464	-11,794	-1,406	-1,873	-3	-31,540
Disposal	0	0	0	0	0	0
Reclassifications	0	317	0	0	0	317
Revaluations	18,942	7,076	0	0	0	26,018
At 31 March 2010	-15,504	-32,129	-13,839	-13,292	-7	-74,771
Balance sheet amount at 31 March 2010	698,632	527,792	6,542	74,004	1,521	1,308,491
Balance sheet amount at 1 April 2009	717,585	558,672	4,905	61,708	1,945	1,344,815
Nature of asset holding						
Owned	698,632	373,998	6,542	74,004	1,521	1,154,697
Finance lease	0	0	0	0	0	0
PFI	0	153,794	0	0	0	153,794
	698,632	527,792	6,542	74,004	1,521	1,308,491

(ii) Non-operational Assets

	Investment Properties £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Certified Valuation at 31 March 2009	30,984	52,286	28,840	112,110
Prior Year Adjustments	121	0	720	841
Cost or Valuation				
At 1 April 2009	31,105	52,286	29,560	112,951
Additions	740	1,371	46,268	48,379
Donations	0	0	0	0
Disposals	0	-1,849	0	-1,849
Re-classifications	810	4,722	-36,243	-30,711
Revaluations	-1,881	-5,352	0	-7,233
At 31 March 2010	30,774	51,178	39,585	121,537
Depreciation and impairments				
At 1 April 2009	0	0	0	0
Charge for 2009/10	0	0	0	0
Disposal	0	0	0	0
Reclassifications	0	-317	0	-317
Revaluations	0	0	0	0
At 31 March 2010	0	-317	0	-317
Balance sheet amount at 31 March 2010	30,774	50,861	39,585	121,220
Balance sheet amount at 1 April 2009	31,105	52,286	29,560	112,951
Nature of asset holding				
Owned	30,774	50,861	37,940	119,575
Finance lease	0	0	0	0
PFI	0	0	1,645	1,645
	30,774	50,861	39,585	121,220

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 2009/10 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 2010, as shown in the Asset Register, is detailed in the table as follows:

Council Dwellings	20,981
<u>ASSET TYPE</u>	
Allotments	29
Bowling Greens	10
Community Centres	86
Cemeteries (Buildings)	5
Children's Centres	19
Children's Homes	4
Off Street Car Parks	27
Day Centres	9
Depots and Workshops	15
Golf Course/Pitch and Putt/Mini Golf	4
Hostels	4
Household recycling Properties	3
Laundry	1
Learning Centre	1
Leisure Activities	2
Libraries	15
Museums and Galleries	1
Markets	1
Office Buildings	28
Pavilions	11
Public Conveniences	4
Public Halls	1
Playing Fields/Rec Grounds	33
Residential Homes	9
Nursery Schools	9
Primary Schools	83
Secondary Schools	14
Special Schools	6
Sports Centres, Fitness Suites & Swimming Pools	4
Tennis Courts	7
Theatres	1
Youth Clubs	3
<u>NON-OPERATIONAL ASSETS</u>	
Investment Property	154
Land Awaiting Development (Area – Acres)	375
Surplus Assets	31
<u>COMMUNITY ASSETS</u>	
Cemeteries (Land)	7
Civic Regalia	24
Local Nature Reserve	6
Museum Exhibits	10
Parks	20
Open Space Land	164
<u>INFRASTRUCTURE ASSETS</u>	
Bridges	15
Other Infrastructure	75
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 2008/09 £000		2009/10 £000
378,141	Opening Capital Financing Requirement	475,478
	<u>Capital Investment</u>	
89,746	Operational Assets	92,913
54,253	Non-Operational Assets	48,367
1,183	Intangible Assets	178
32,653	Revenue Expenditure Funded from Capital Under Statute	9,476
0	Long Term Investment	190
	<u>Sources of Finance</u>	
-3,120	Capital Receipts	-3,298
-55,257	Government Grants and Other Contributions	-51,436
-22,121	Revenue Provision	-22,395
475,478	Closing Capital Financing Requirement	549,473

Restated 2008/09 £000		2009/10 £000
	<u>Explanation of movements in year</u>	
60,514	Increase in underlying need to borrow (supported by Government financial assistance)	57,625
36,823	Increase in underlying need to borrow (unsupported by Government financial assistance)	16,370
97,337		73,995

(e) Private Finance Initiatives – Movements in Asset Values

As noted in accounting policy note 10, there has been a change to the way in which PFI schemes are accounted for as part of the conversion of local authority accounting with International Financial Reporting Standards (IFRS). This has led to the Council's two PFI schemes which were in operation at 1 April 2009 (schools and leisure) being brought on balance sheet at that date as a prior period adjustment. In addition, as part of this IFRS transition, the Council has capitalised PFI procurement costs of £2,085,000 which are directly attributable to bringing PFI assets into use. These were previously charged to revenue when the schemes were off balance sheet. These are shown as Assets under Construction in respect of the Maltby Leisure Centre element of the Leisure PFI, and the Waste PFI, and incorporated in the Schools and Leisure PFI prior year adjustments for the operational assets.

The value of assets held on the balance sheet at 1 April 2009 and the movement in these values during the year is shown in the table below:

	Schools PFI £000	Leisure PFI £000	Leisure PFI (Assets Under Construction) £000	Building Schools for the Future (Assets Under Construction) £000	Waste PFI (Assets Under Construction) £000	Dignity PPP £000	Total £000
Opening Value Tangible Fixed Assets as at 1 April 2009	0	10,378	0	0	0	227	10,605
Prior Year Adjustment	128,997	20,390	278	0	443	0	150,108
Movements during 2009/10							
Additions	0	6,916	0	818	384	2,914	11,032
Reclassification	0	278	-278	0	0	0	0
Revaluations	0	140	0	0	0	703	843
Depreciation / Impairment	-14,193	-624	0	0	0	-2,332	-17,149
Closing Value Tangible Fixed Assets as at 31 March 2010	114,804	37,478	0	818	827	1,512	155,439

The additions during the year are the Maltby Leisure Centre, and the works carried out at East Herringthorpe crematorium site by Dignity.

Note 21 **Intangible Assets**

Movement in Intangible Assets

	Purchased Software Licences £000	Other Intangible Assets £000	Total £000
Original Cost	1183	0	1183
Amortised to 1 April 2009	-390	0	-390
Balance at 1 April 2009	793	0	793
Expenditure in year	178	0	178
Written off to revenue in year	-390	0	-390
Balance at 31 March 2010	581	0	581

Note 22 **Capital Commitments**

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2010, 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 are as follows:

Capital Commitments	£m
Decent Homes:	
Main Refurbishment Contractors	
Bramall Construction	4.200
Henry Boot	4.200
Window Contractors	
Yorkshire Windows	1.780
Bramall Construction	1.840
Economic Development Services:	
Ulley Reservoir Improvements	1.327
New Civic Offices	15.384
Hellaby Depot	3.100
Children & Young People's Services:	
Swinton Queens School	5.026
Rawmarsh Monkwood School	1.778
Kimberworth Co-location	2.252
Financial Services:	
Digital Region	2.000

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

Note 23 **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 24 **Leasing**

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

2008/09 £000		2009/10 £000
	Operating Lease Rentals paid in year:	
244	- Primary rentals	244
58	- Secondary rentals	33
	Undischarged obligations under all leases at the year end:	
244	- payable within one year	0
0	- payable within two to five years	0
0	- payable after five years	0

All operating leases expired in 2009/10.

Note 25 **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 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Financial Liabilities (principal amount)	416,296	397,636	0	15,000
Plus Accrued Interest	0	0	4,558	4,466
Plus(+)/Less(-) Other accounting adjustments	342	117	234	211
Financial liabilities at amortised cost	416,638	397,753	4,792	19,677
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	416,638	397,753	4,792	19,677
Loans and receivables (principal amount)	19,983	9,758	65,027	6,221
Plus Accrued Interest	1,669	859	1,443	0
Plus(+)/Less(-) Other accounting adjustments	-574	-484	-176	-147
Loans and receivables at amortised cost	21,078	10,133	66,294	6,074
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	192	0	0
Total Investments	21,080	10,325	66,294	6,074

No financial instruments have been reclassified or de-recognised during the year.

Note 26 **Financial Instruments – Risk**

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

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

Overall Procedures for Managing Risk

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

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

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

These policies are implemented by a central treasury 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.

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

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 2010 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2010 % (c)	Estimated maximum exposure to defaults £000 (a*c)
<u>Deposits with banks and financial institutions – excluding Icelandic Banks</u>				
AAA rated counterparties	4,860	0.000%	0.000%	0
AA rated counterparties	2,251	0.030%	0.030%	1
A rated counterparties	6,608	0.080%	0.080%	5
Bonds	0	0.000%	0.000%	0
	13,719			6
<u>Debtors</u>				
Long Term Debtors	559	0.000%	0.000%	0
Sundry Debtors	14,809	9.458%	9.458%	1,400
Council Tax	4,677	22.735%	22.735%	1,063
Community Charge	43	94.014%	94.014%	41
Housing Benefits	1,579	31.839%	31.839%	503
Housing Tennants	3,045	68.120%	68.120%	2,074
Other Short-Term Debtors	40,695	1.533%	1.533%	624
Debtors	65,407			5,705
Total	79,126			5,711

Except as disclosed later at note 30 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 Income & Expenditure Account in respect of the additional £0.006m 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 would be classified as other counterparties.

The estimated maximum exposure to defaults of £5.711m 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 2009 £000		31 March 2010 £000
7,697	Less than three months	10,117
458	Three to six months	537
1,104	Six months to one year	1,267
2,408	More than one year	2,888
11,667		14,809

Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2010 was £0.755m (£0.807m as at 31 March 2009).

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2009 £000		31 March 2010 £000
4,558	Less than one year	19,677
15,167	Between one and two years	15,117
60,409	Between two and seven years	70,000
21,000	Between seven and fifteen years	26,000
320,296	More than fifteen years	286,636
421,430		417,430

The maturity analysis of financial assets is as follows:

Restated 31 March 2009 £000		31 March 2010 £000
66,294	Less than one year	6,074
3,282	Between one and two years	758
3,026	Between two and three years	304
14,770	More than three years	9,071
87,372		16,207

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £14.809m 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 (no impact on revenue balances);
- 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 (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The 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 rate loss is partially mitigated by Government grant payable on financing costs.

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

2008/09 £000		2009/10 £000
0	Increase in interest payable on variable rate borrowings	35
0	Increase in interest receivable on variable rate investments	0
0	Impact on Income and Expenditure Account	35
0	Increase in Government grant receivable on financing costs	-24
0	Share of overall impact debited to the HRA	24
-568	Decrease in the fair value of fixed rate investment assets	-221
-568	Impact on the STRGL	-221
-67,546	Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E or STRGL)	-58,308

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 28 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 27 Financial Instruments – Gains/Losses

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2010 are as follows:

2008/09 Total £000		Financial Liabilities	Financial Assets			2009/10 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for- sale assets £000	Fair value through the I&E £000	
23,350	Interest expense	21,343	0	0	0	21,343
0	Losses on derecognition	0	0	0	0	0
978	Impairment losses	0	57	0	0	57
-78	Premium/discounts	-337	0	0	0	-337
10,244	Finance Lease Interest	11,021	0	0	0	11,021
34,494	Interest payable and similar Charges	32,027	57	0	0	32,084

Note 27 **Financial Instruments – Gains/Losses (continued)**

2008/09 Total £000		Financial Liabilities	Financial Assets			2009/10 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available- for-sale assets £000	Fair value through the I&E £000	
-8,201	Interest income	0	-1,576	0	0	-1,576
0	Gains on Derecognition	0	0	0	0	0
-8,201	Interest and Investment Income	0	-1,576	0	0	-1,576
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
26,293	Net gain (-) / loss (+) for the year	32,027	-1,519	0	0	30,508

Note 28 **Financial Instruments – Fair Value of Assets carried at Amortised
Cost**

Financial liabilities and financial assets represented by loans and receivables 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.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- 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:

Restated 31 March 2009			31 March 2010	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
246,598 174,832 0	286,536 193,114 0	Long and Short-term PWLB debt Non-PWLB debt Temporary	242,598 174,832 0	271,355 187,626 0
421,430 101,840	479,650 101,840	Total Debt Trade Creditors	417,430 97,794	458,981 97,794
523,270	581,490	Total Financial Liabilities	515,224	556,775
66,294	66,294	Money Market loans less than one year	6,074	6,074
21,078	23,027	Money Market loans more than one year	10,132	11,095
0	0	Bonds	0	0
2	2	Equity	192	192
523	523	Long-term Debtors	559	559
11,667	11,667	Sundry Debtors	14,809	14,809
4,686	4,686	Council Tax	4,677	4,677
43	43	Community Charge	43	43
1,400	1,400	Housing Benefits	1,579	1,579
2,884	2,884	Housing Rents	3,045	3,045
		Other Short-Term		
37,150	37,150	Debtors	40,695	40,695
-5,290	-5,290	Bad Debts Provision	-5,711	-5,711
140,437	142,386	Total Loans and Receivables	76,094	77,057

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 29 **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 2010 a nil balance 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 2010 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 30 **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%	0.832	0.337
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	1.655	0.295

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 latest creditor progress report issued by the administrators Ernst and Young, dated 28 January 10 outlined that the return to creditors was projected to be between 79 and 85p in the £.

A first interim dividend payment of 16.13p in the £ was paid in July 2009 with further payments of 12.66p in December 2009 and 6.19p in March 2010.

The authority has therefore decided to make an impairment based on it recovering only 84.98p in the £.

In calculating the impairment the Authority has made the following assumptions with regard to the timing of future recoveries:

- June 2010 – 5%
- September 2010 – 5%
- December 2010 – 5%
- March 2011 – 5%
- June 2011 – 5%
- September 2011 – 5%
- December 2011 – 5%
- March 2012 – 5%
- June 2012 – 5%
- September 2012 – 5%

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

Landsbanki Islands hf

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 (NBI) 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 26 March 2010 and can be viewed on its website. This confirms that a settlement has been reached between Old Landsbanki and NBI about the way in which successor will compensate Old Landsbanki for the assets taken over. Compensation is being provided through a series of interest-bearing bonds in a range of currencies

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is 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.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 38.19p in the £.

The Council's view remains that preferential creditor status will be confirmed and other relevant information indicates that recovery of between 90-100% could be achieved. A mid point position has therefore been taken with an impairment based on recovery at 94.86p 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 Old Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Based upon available information the following assumptions have been made with regard to the timing of future recoveries:

October 2011 – 22.17%
 October 2012 – 8.87%
 October 2013 – 8.87%
 October 2014 – 8.87%
 October 2015 – 8.87%
 October 2016 – 8.87%
 October 2017 – 8.87%
 October 2018 – 19.47%

Recoveries are expressed as a percentage of the authority's claim in the administration, which it validly includes interest accrued up to 22 April 2009.

Recognition in the I & E

The total impairment recognised in the Income and Expenditure Account amounting to £0.632m (£0.749m in 2008/09 reduced by £0.117m in 2009/10), 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 £0.632m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.403m 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 2008/09 £	Received 2008/09 £	Credited 2009/10 £	Received 2009/10 £
Heritable	55,457	0	69,201	1
Landsbanki	119,535	0	106,079	0

Note 31 **Long-Term Investments**

At the end of 2009/10 £7m of the Council's PFI grant receipts (£42.268m) had been invested long-term. Interest accruals of £0.859m are disclosed within the carrying amount, together with £2.273m relating to the recovery of monies invested in the Icelandic banks. The balance of £0.192m represents the Council's investment in RBT (Connect) Ltd (£0.002m) and BDR Property Limited (formerly Arpley Gas Limited) (£0.190m).

Note 32 **Stocks and Work in Progress**

Stock held was valued, in accordance with the principles set out in the Statement of Accounting Policies, at £435,574 as at 31 March 2010 (£448,801 as at 31 March 2009).

Note 33 **Debtors and Payments in Advance**

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

Restated 2008/09 £000		2009/10 £000
2	Ratepayers	2
43	Community Charge	43
4,686	Council Tax	4,677
178	Business Rates (Government)	4,375
2,884	Housing Tenants	3,045
50,038	Other Sundry Debtors	52,706
57,831		64,848
-5,290	<u>Less</u> Provision for Bad and Doubtful Debts	-5,711
52,541		59,137

Note 34 Creditors and Receipts in Advance

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

Restated 2008/09 £000		2009/10 £000
-40,854	Government Departments	-12,804
-5,875	HMRC	-6,522
-8,670	Other Public Sector Organisations	-4,890
-45,998	Other Sundry Creditors	-69,855
-101,397		-94,071
-443	Receipts in Advance	-3,723
-101,840		-97,794

Note 35 Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 103 of this Statement refers). As at 31 March 2010 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £14,899,450, comprising £804,020 maturing within one year and £14,095,430 after that date.

Note 36 Analysis of Net Assets Employed

The net assets (revenue and capital) employed at 31 March 2010 are as follows:

Restated 2008/09 £000		2009/10 £000
191,880	General Fund	133,175
646,671	Housing Revenue Account	578,645
1,047	Collection Fund Adjustment Account	2,412
839,598	Total excluding Pensions Reserve	714,232
-200,638	Pensions Reserve *	-311,246
638,960	Total	402,986

*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 37 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 2010 are as follows:

Restated 31 March 2009 £000		31 March 2010 £000
37,369	Turnover	34,012
-5,689	Profit (+)/loss(-) before taxation	10,979
-5,689	Profit (+)/loss(-) after taxation	10,970
-1,719	Net Assets	-2,978

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

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

With effect from 16th March 2008 Arpley Gas Ltd became BDR Property Ltd., a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. The company was set up for the purpose of carrying out waste disposal work and civic amenity site management. Its principal activity is management of the Thurcroft landfill site.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £1.850 million

Council's Shareholding:

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

At the time this statement was prepared the company's accounts for the year ending 31 December 2009 were being prepared and audited and were not available. The latest accounts for BDR Property Limited available are those for the year ending on 31 December 2008.

No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2010.

(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 2009.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2010 were unavailable and the following details are the most up to date available.

31 March 2008 £000		31 March 2009 £000
88	Turnover	234
2	Profit(+)/Loss (-)	35
-2	Profit(+)/loss(-) after taxation	35
-3	Net Liabilities (-)	32

During the financial year ended 31 March 2010 Building Learning Communities Ltd provided services to the Council to the value of £12,926 (2008/09 £11,078) and incurred charges from the Council to the value of £47,495 (2008/09 £17,479).

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 2009/10 was £3,165 (2008/09 nil).

During the financial year ended 31 March 2010 Creswell Groundwork Trust provided no services to the Council (2008/09 nil) and incurred no charges from the Council (2008/09 nil).

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 10% of the company's 1,500 'A' £1 voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 8.57% of the company's 70 £1 class 'B' shares that have been allocated – 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 2010 were unavailable and the following details are the most up to date available.

Restated 31 March 2008 £000		31 March 2009 £000
2,367	Turnover	1,440
-32	Surplus(+)/Deficit(-) for the year	17
199	Net Assets	216

Rotherham Metropolitan Borough Council's contribution to the company during 2009/10 was £88,218 (2008/09 £60,000).

During the financial year ended 31 March 2010 Groundwork Dearne Valley Limited continued to receive payroll services from the Council and provided services to the Council to the value of £85,676 (£314,112 in 2008/09) and incurred charges from the council to the value of £1,135,057 (2008/09 £914,465).

A copy of the accounts of the company may be obtained from the Borough Secretary, Barnsley MBC Legal Department, Westgate Plaza 1, Barnsley S70 2DR.

(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 2010 were unavailable and the following details are based on the company's accounts for the year ending 31 March 2009.

31 March 2008 £000		31 March 2009 £000
4,117	Turnover	3,628
-2,008	Surplus(+)/Deficit(-) for the year	-1,682
22,384	Net Assets	20,702

During the financial year ended 31 March 2010, the company provided services to the Authority to the value of £62,266 (2008/09 £152,761). A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £235,000 was still outstanding as at 31 March 2010. A one year loan of £200,000 issued in 2008/09 was repaid in 2009/10. A further loan of £150,000 was issued in 2009/10 and was still outstanding at 31 March 2010. Magna incurred charges from the Council of £13,119 (2008/09 £65,139).

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 2009 and are as follows:

31 July 2008 £000		31 July 2009 £000
6,967	Income	5,636
-111	Surplus(+)/Deficit(-) for the year	-28
353	Net Assets	429

Rotherham MBC made a contribution of £20,000 towards the running costs of the company during 2009/10 (2008/09 £15,000).

During the financial year ended 31 March 2010, the company provided no services to the Council (2008/09 £7,118) and incurred no charges from the Council (2008/09 £150).

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 2010 were unavailable and the following details are the most up to date available.

Restated 31 March 2008 £000		31 March 2009 £000
2,786	Turnover	1,537
15	Profit (+) / Loss (-) before taxation	-73
13	Profit after taxation	-77
920	Net Assets	842

Rotherham Borough Council's grants to and payments for services provided by the company during 2009/10 was £486,521 (2008/09 £216,231), and incurred charges from the Council to the value of £1,846 (2008/09 £1,512).

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) 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 2009 or for the year to 31 March 2010.

(xii) 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 2010 were unavailable and the following details are the most up to date available.

31 March 2008 £000		31 March 2009 £000
2,966	Turnover	2,876
58	Profit (+) / Loss (-) before taxation	12
58	Profit after taxation	-6
92	Net Assets	-83

Rotherham MBC did not make a direct contribution to the running costs of this company during 2009/10.

During the financial year ended 31 March 2010, the company provided services to the Authority to the value of £72,586 (2008/09 £9,892) and incurred no charges from the Council (2008/09 £323).

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.

(xiii) 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 2009 were unavailable and the following details are the most up to date available.

Restated 31 December 2007 £000		31 December 2008 £000
93,749	Turnover	98,314
748	Surplus (+) / Deficit (-)	5,456
13,400	Net Assets	18,340

Rotherham MBC did not make a direct contribution to the running costs of this company during 2009/10.

During the financial year ended 31 March 2010, the company provided services to the Council to the value of £2,102,604 (2008/09 £2,212,029) and incurred charges of £100 (2008/09 £100).

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

Note 38 **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) disappplied 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:

- Home Improvement Grant Administration Fees, Culture and Sports

The total value of claims made is in the region of £2.626m (including Statutory Interest), of which £1.516m net has now been realised.

Note 39 **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:

2008/09 £000		2009/10 £000
5,315	Insurance	4,876
25	Section 11/82 Disrepair Claims – Housing Revenue Account	25
0	Maltby Academy - Deed of Gift	500
360	Landfill Trading Allowances (LATS)	64
15,606	Provisions pending legal settlement	10,990
21,306	Total	16,455

Insurance

The overall Insurance Fund balance shown in the accounts (inclusive of the reserve part – see Note 47 below) is net of amounts (2009/10 Nil, 2008/09 Nil) 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 education, municipal and housing 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 £500 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 is now back with the Fund having been relinquished by 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. Due to the reduction in the number of claims being received and legal costs incurred the provision has been reduced to £25k which is considered sufficient to cover any potential liability on the 2 live cases at the end of March 2010.

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.

Maltby Academy – A Deed of Gift

A Deed of Gift of £500k is payable by RMBC to the Academy endowment fund as follows:

The first payment of £250k becomes due within 10 working days of the Endowment Fund being registered as a charity. The second payment of £250k becomes due by the first anniversary of the date when the Endowment Fund is registered as a charity.

Note 40 **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.

2008/09 £000		2009/10 £000
61,857	Balance 1 April	87,967
0	Prior year adjustments	0
61,857		87,967
28,411	Grants applied to capital investment in the year	22,169
-2,301	Government Grants written down	-11,472
26,110	Change in the year	10,697
87,967	Balance 31 March	98,664

Note 41 **Unapplied Capital Grants/Contributions**

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

2008/09 £000		2009/10 £000
23,639	Balance 1 April	17,401
49,019	Amount receivable in the year	60,629
-55,257	Amount applied to finance new capital investment	-51,436
-6,238	Total increase/decrease(-) in realised capital resources in the year	9,193
17,401	Balance 31 March	26,594

Note 42 **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 2010 the Authority had lodged claims of £4,123,793 above the threshold giving a maximum liability under the Scheme of £814,759.

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

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 2010 the SYRB Authority had lodged claims of £1,631,801 above the threshold giving a maximum liability under the Scheme of £316,360. The SYRB winding up order makes provision for apportioning among the four councils in the county any sums paid by Rotherham.

(b) Highfields Nursing Home

The owner of Highfields Nursing Home has issued legal proceedings in respect of alleged breach of contract between the Council and the nursing home. The Council denies these allegations and is defending the claim.

(c) Employment Tribunal

An employee has issued proceedings in the employment tribunal alleging Unfair Dismissal and Disability Discrimination by the Council. The Council denies these allegations and is defending the claim.

(d) South Yorkshire e-Learning Partnership (SYeLP)

SYeLP was set up to realise the benefits of information and Communication Technology (ICT) in education and training across South Yorkshire. The programme was delivered through a partnership across South Yorkshire that included Sheffield, Barnsley, Doncaster and Rotherham Councils with Sheffield as the Commissioning Authority under an Agency Agreement. The programme delivered a number of projects that received funding including ESF and ERDF grant. One of these projects has an outstanding audit issue, which may result in a potential liability of £1.3m. Rotherham's share of this potential liability would be approximately £286k (22%). Work is ongoing to prevent the clawback and there is uncertainty as to any ultimate financial impact, therefore, a provision has not been made in the Council's accounts.

Note 43 **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 44 **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 2009 £	Income £	Expenditure £	Balance as at 31 March 2010 £
Treeton Council School War Memorial	489	27	0	554
EJ Butland, Treeton Infants	405	27	0	461
Whiston Two Wars Memorial	278	102	0	313
Total	1,172	156	0	1,328

Trust Funds – Balance Sheet as at 31 March 2010

2008/09 £		2009/10 £
	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
44	- Debtors	49
1,128	- Cash	1,279
1,522	Total Assets	1,678
	Financed by:	
350	- Fund Balance	350
1,172	- Accumulated Investment Interest	1,328
1,522	Total Equity	1,678

The investments referred to above relate to War Loan Stock.

Note 45 **Total Movement in Reserves**

Reserve	Restated Balance 1 April 2009 £000	Transfers in / from Reserve £000	Balance 31 March 2010 £000	Purpose of the Reserve	Further detail of movements
CAPITALRESERVES					
Revaluation Reserve	87,314	2,028	89,342	Unrealised gains from holding fixed assets	See Note (46b)
Capital Adjustment Account	697,388	-122,015	575,373	Balancing mechanism between depreciation rates and finance charged	See Note (46a)
Available-for-sale Reserve	0	0	0	Holding gains and losses arising from carrying available-for-sale assets at fair value	See Note (46c)
Financial Instruments Adjustment Account	-1,290	392	-898	Holding the difference between financing costs in the I & E and in the General Fund Balance	See Note (46d)
Capital Receipts Reserve	6,353	-2,352	4,001	Proceeds of fixed assets available to meet future capital investment	See Note (46e)
Major Repairs Reserve	320	1,875	2,195	Resources available to meet capital investment in council housing	See HRA statements Note 3, page 96
Deferred Capital Receipts	147	-10	137	See Note 23 above	See Note 23 above
REVENUE RESERVES					
General Fund	13,800	-4,922	8,878	Resources available to meet future running costs for non housing services	See Statement of Movement on the General Fund Balance, page 30
Pensions Reserve	-200,638	-110,608	-311,246	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note (47e)
Housing Revenue Account	6,193	697	6,890	Resources available to meet future running costs for council houses	See HRA statements, page 94
Other Reserves	28,326	-2,424	25,902	Various earmarked reserves holding resources for specific purposes	See Note 45a below
Collection Fund Adjustment Account	1,047	1,365	2,412	Resources to be distributed to the Council	See Collection Fund Adjustment Account, Note 5, page 101
Total	638,960	-235,974	402,986		

(a) Movement on Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Collection Fund Adjustment Account £000	Other Reserves (including Major Repairs) £000	Pensions Reserve £000
Surplus (+)/deficit (-) for 2009/10	-2,006	697	1,365	0	0
Transfers in (+) /contributions (+) to Reserves	576	0	0	3,181	0
Transfers out (-) / contributions (-) from Reserves	-3,492	0	0	-3,730	0
Actuarial gains and losses relating to pensions	0	0	0	0	-110,608
Balance brought forward at 1 April 2009 (Restated)	13,800	6,193	1,047	28,646	-200,638
Balance carried forward at 31 March 2010	8,878	6,890	2,412	28,097	-311,246

Note 46 **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.

Restated 2008/09 £000		2009/10 £000
860,105	Balance 1 April	697,388
24,872	Prior Year Adjustments	0
884,977		697,388
-3,935	Other movements:	-3,056
-32,403	Value of Assets sold, disposed of or decommissioned	-29,266
-179,272	Depreciation/amortisation of assets	-148,528
3,120	Impairment of Fixed Assets	3,298
1,600	Capital Receipts set aside during the year	2,799
13,892	Capital expenditure financed from revenue	10,286
12,915	Minimum Revenue Provision	11,189
2,301	Major Repairs Reserve applied	11,472
	Government Grants Deferred written down	
26,846	Amounts transferred between the Capital Adjustments Account and Government	29,267
-32,653	Grants Deferred Account	-9,476
	Revenue expenditure funded by Capital under Statute written out in year	
-187,589		-122,015
697,388	Balance 31 March	575,373

(b) Revaluation Reserve

The Revaluation Reserve represents the level of revaluation gains on the Authority's fixed assets from 1 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 2008/09 £000		2009/10 £000
78,479	Restated Balance at 1 April	87,314
9,889	Revaluation of Fixed Asset	3,001
-1,054	Accumulation of revaluations on disposals	-973
87,314	Balance at 31 March 2010	89,342

(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 31 March 2010 the Council held no financial assets classified as available-for-sale.

2008/09 £000		2009/10 £000
0	Balance at 1 April 2009	0
0	Movement in year	0
0	Balance carried forward at 31 March 2010	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 total impairment recognised in the Income and Expenditure Account amounting to £0.632m (£0.749m in 2008/09 reduced by £0.117m in 2009/10), 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 Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £0.632m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.403m relates to interest which has been borne in full by the General Fund.

2008/09 £000		2009/10 £000
736	Balance at 1 April	1,290
	Movement in year:	
-189	Premium and discounts	-269
-7	Soft Loans	-5
750	Icelandic Banks	-118
1,290	Balance carried forward at 31 March	898

(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.

2008/09 £000		2009/10 £000
6,032	Balance at 1 April	6,353
3,441	Amounts receivable in the year	946
-3,120	Amounts applied to finance new capital investment	-3,298
321	Total increase / (decrease) in realised capital resources in the year	-2,352
6,353	Balance carried forward at 31 March	4,001

Note 47 Revenue Reserves

	Restated Balance as At 1 April 2009 £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 2010 £000
General Fund					
Balance as originally stated as at 1 April	5,204				
Prior Year Adjustment	3,683				
Total (excluding Schools)	8,887	159	576	-3,492	6,130
Schools Delegated Budgets	4,913	-2,165	0	0	2,748
Total General Fund	13,800	-2,006	576	-3,492	8,878
Trading					
Insurance	1,478	0	248	-739	987
Total – Trading	1,478	0	248	-739	987
Repayable					
Energy Conservation	472	0	91	-24	539
Invest to Save	595	0	255	-702	148
Total – Repayable	1,067	0	346	-726	687
Other Earmarked					
Museum	40	0	15	-6	49
RERF	347	0	0	-166	181
Maintenance of Buildings	425	0	4	-19	410
Statutory Costs	6	0	200	-6	200
Winter Conditions (Environmental & Development Services)	154	0	0	-21	133
Commutation Adjustment	8,110	0	0	-290	7,820
CENT ICT Refresh	101	0	0	-27	74
Housing Improvement Programme	29	0	1	0	30
Dispersed & Furnished Units	69	0	0	-65	4
Furnished Homes	66	0	0	-66	0
Total – Earmarked	9,347	0	220	-666	8,901
Ring-fenced					
Asylum Seekers	532	0	289	-361	460
Housing Revenue Account	6,193	697	0	0	6,890
Housing (Major Repairs Reserve)	320	0	1,875	0	2,195
Schools' Declared Savings	613	0	2	-210	405
PFI – Schools	15,066	0	0	-912	14,154
PFI - Leisure	223	0	85	0	308
Landfill Allowance Trading Scheme	0	0	116	-116	0
Total – Ring-Fenced	22,947	697	2,367	-1,599	24,412
Total – excluding General Fund	34,839	697	3,181	-3,730	34,987
Total Reserves	48,639	-1,309	3,757	-7,222	43,865

The sum of £3.153m 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 39) is earmarked to meet future potential and contingent liabilities.

(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) 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.

(vii) 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.

(viii) 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.

(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 £18,372

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 Dispersed Units

(ix) Dispersed Units

This reserve was set up in 07/08 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 large programme of refurbishment of the units was undertaken in 2009/10 and is expected to continue into 10/11 when the balance of the reserve may be used in full. This service sits alongside the furnished accommodation scheme operated in the HRA to help support the establishment of vulnerable tenancies.

(x) 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. The Service has been extended and re-branded in 2009/10 as Rotherham Furniture Solutions and the reserve has been fully utilised in year.

(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 2009/10. 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 receipts and payments into the reserve are smoothed out over the life of the contract so that the balance on the reserve at the end of the contract is nil. This arises as only 50% of the Unitary Charge payment is indexed, the remaining 50% being fixed and that as PFI revenue grant support is fixed, the Council's budgetary contributions as a proportion of income increase over time.

(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:

2008/09 Tonnes £000			2009/10 Tonnes £000	
39,981	360	Current Asset: Fair Value of recognised allowances	32,098	64
39,981	-360	Provision: Recognised Landfill usage	32,098	-64
0	0	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 2010. Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 13 of the Core Financial Statements.

Note 48 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		156,867
<u>Items on an accrual basis:</u>		
Decrease in Stocks and Work-in-Progress	-13	
Increase in Debtors	6,596	
Decrease in Creditors	4,046	
		10,629
<u>Other items</u>		
Capital Expenditure charged to Revenue	2,799	
Decrease in Collection Fund Balance	-1,365	
Contribution to Provisions and Reserves	-5,340	
Depreciation and Impairment	-181,146	
Other non cash transactions	-7,408	
		-192,460
Net Revenue cash inflow (-)		-24,964

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 49 Movement in Net Debt

	£000
Cash(Increase) / Decrease 2009/10	18,779
Less:	
Net Cash Outflow Before Financing	75,162
Less transactions not affecting net debt	-3,848
Cash (Increase) / Decrease from Movement in Net Debt	-52,535

	Balance Sheet 31 March 2009 £000	Cash Movement £000	Other Movement £000	Balance Sheet 31 March 2010 £000
Public Works Loan Board long term	-243,638	3,660	15,225	-224,753
Bonds long term	-173,000	0	0	-173,000
Public Works Loan Board short term	-2,960	0	-14,884	-17,844
Bonds short term	-1,832	0	-1	-1,833
Short-term investments	66,294	-58,806	-1,414	6,074
PFI Finance Lease Liability	-110,509	2,611	-9,786	-117,684
Net Debt	-465,645	-52,535	-10,860	-529,040

Note 50 **Increase / (Decrease) in Cash**

	£000
Cash overdrawn as at 31 March 2010	-2,903
<u>Add:</u>	
Cash in hand as at 31 March 2009	15,876
Cash Increase / (Decrease) in 2009/10	-18,779

Note 51 **Liquid Resources**

These relate principally to the investment 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 includes the difference between the opening and closing cash balances for Short-term Investments. In addition it is also inclusive of cash adjustments relating to the Collection Fund.

Note 52 **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 accruals basis. This table summarises cash received as government grants:

	£000	£000
<u>Revenue</u>		
Dedicated Schools Grant	170,018	
Standards Fund	22,277	
Schools Standards Grant	9,356	
LSC Sixth Form Funding	10,595	
Other Learning & Skills Council grants	2,088	
Family Interventions Grant	696	
Surestart Grant	8,562	
Young Enterprise Project	1,239	
Youth opportunity & Youth C Fund	332	
Higher LVL Teach Asst Training	259	
Diploma Gateway Consortia	308	
TDA – Golden Hello's	231	
YCAP Grant (Youth Crime)	210	
European Grants	713	
Housing Subsidies	61,957	
Area Based Grant	15,378	
Local Authority Award Grant	1,491	
Yorkshire forward	1,536	
PFI	8,033	
Supporting People	7,567	
Asylum Seekers Grant	1,460	
Other Home Office Grants	414	
Social Care Reform Grant	1,102	
Other Adult Social Care Grant	402	
Various Youth Justice Board Grants	1,025	
Local Authority Business Growth Initiative	180	
Rotherham Investment Efficiency Partnership	236	
Lottery Funding	553	
Free Swimming	234	
Other	<u>1,502</u>	329,954
<u>Capital</u>		
Standards Fund	16,277	
LSC Sixth Form Funding	1,523	
Local Authority Award Grant	1,491	
Education Capital Grant	491	
Pathfinder Grant	12,594	
Regional Housing Board	3,367	
Disabled Facilities Grant	849	
Air Quality Grant	25	
Safer Stronger Communities Fund	82	
Growth Programme	861	
South Yorkshire Loans Fund	147	
HCA New Build Grant	1,755	
Social Care Single Pot	130	
Social Care It Infrastructure	92	
Mental Health Single Capital	147	
Business Rates Deferral Scheme	10	
Department for Transport	8,006	
Yorkshire Forward	1,427	
Lottery Funding	4,141	
Play Pathfinder	1,557	
South Yorkshire ITA /PTE /PTA	3,424	
Objective 1	634	
Environment Agency	160	
Department of Environment Food & Rural Affairs	442	
South Yorkshire Intelligent Transport System	1,193	
Department of Communities & Local Government	367	
Other capital grants	242	
Derelict Land Grant - repayment	<u>-25,186</u>	36,248

Note 53 **Post Balance Sheet Events**

The Authority is required to disclose under the principles of FRS 21 Events after the Balance Sheet Date any material adjustment or substitution which would alter any estimate or reflect a permanent impairment or betterment to the Authority's financial position.

Building Schools for the Future – Non-adjusting event

The Council is currently reviewing the financial impact of the Government's proposed changes to the Building Schools for the Future programme. The Council received notification on the 5th July that the proposed school rebuilding programme for Rotherham had been stopped. With regard to Maltby Academy only, this scheme was put under review pending the Government's Comprehensive Spending Review in October.

A Government announcement on the future schools' capital funding programme is expected in December.

FRS17 Pension Liability – Non-adjusting event

In his budget statement on 22 June 2010, the Chancellor announced that from April 2011 the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the South Yorkshire Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS 17 liabilities by between 5% and 8% for most employers. In the case of the Council, this would mean a reduction in liabilities of between £45m and £72m.

As the announcement was made after the end of the 2009/10 financial year, no adjustment has been made to the 2009/10 statement of accounts in respect of the above. The financial effect will instead be reflected in the FRS17 figures published in the statement of accounts for the financial year ending 31 March 2011.

The position is further complicated by the current Pensions Commission under John Hutton which is expected to report this year and which may recommend further changes to pension schemes.

Note 54 Section 106 Receipts

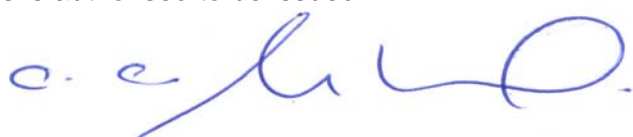
Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded 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 2008/09 £000		Income £000	Expenditure £000	2009/10 £000
68	Dinnington Colliery Site – Highways works	0	1	67
123	Culture and Leisure – General Fund	-22	22	123
88	Other – General Fund	-76	45	119
577	HRA	-23	230	370
856	Total	-121	298	679

Note 55 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.

2008/09 £000		2009/10 £000	Note
	Income		
54,102	Dwelling rents	55,664	
1,367	Non-dwelling rents	1,770	
1,874	Charges for services and facilities	1,620	
13,235	HRA subsidy receivable	13,064	
70,578	Total Income	72,118	
	Expenditure		
14,455	Repairs and maintenance	14,637	
7,907	Supervision and management	7,827	
7,564	ALMO Management Fee	8,491	
120	Rents, rates, taxes and other charges	-1	
15,122	Negative subsidy-payments to Secretary of State	12,508	
186	Provision for bad or doubtful debts	250	8
165,937	Depreciation and impairment of Fixed assets	83,546	
117	Amortisation of Revenue Expenditure funded by Capital under Statute	153	9
225	Debt management costs	218	
211,633	Total Expenditure	127,629	
141,055	Cost of HRA Services as included in the whole Authority Income and Expenditure Account	55,511	
236	HRA services share of Corporate and Democratic Core	242	
283	HRA share of other amounts included in whole Authority Net Cost of Services but not allocated to specific services	289	
141,574	Net Cost of HRA Services	56,042	
1,705	Gain or loss on sale of HRA fixed assets	1,708	10
9,457	Interest Payable and similar charges	10,610	11
-370	Interest receivable	-57	
130	Pensions interest cost and expected return on pension assets	198	12
152,496	Surplus (-)/Deficit (+) for the year on HRA services	68,501	

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 for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2008/09 £000		2009/10 £000
152,496	Surplus/Deficit for the year on HRA Income and Expenditure Account	68,501
-152,209	Net Additional amount required by statute to be debited/credited to the HRA Balance for the year	-69,198
287	(Increase)/Decrease in the Housing Revenue Account Balance	-697
-6,480	Housing Revenue Account surplus brought forward	-6,193
-6,193	Housing Revenue Account surplus carried forward	-6,890

Restated 2008/09 £000		2009/10 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
104	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	168
-146,910	Difference between any other item of income and expenditure determined in accordance with SORP and determined in accordance with statutory HRA requirements (if any)	-66,926
-405	Net contribution made for retirement benefits in accordance with FRS17	-378
-1,705	Gain or loss on sale of HRA fixed assets	-1,708
-148,916	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year	-68,844
1,600	Capital Expenditure funded by HRA	2,100
-5,793	Transfer to (+) / from (-) Major Repairs Reserve	-3,556
271	Employer's contributions payable to Local Government Pension Scheme and retirement benefits payable direct to pensioners	271
629	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	831
-152,209	Net additional amount required by statute to be debited/credited to the HRA Balance for the year	-69,198

Notes to the Housing Revenue Account

Note 1 Housing Stock at 31 March 2010

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,216	2,790	5,010
2 Bedroom	1,990	2,823	1,903	6,716
3 Bedroom	8,657	306	44	9,007
4+ Bedroom	238	10	0	248
Total	10,889	5,355	4,737	20,981

Note 2 Housing Stock Valuations

(a) Operational Assets including Dwellings

	Council Dwellings £000	Garages and other assets £000
As at 1 April 2009	717,585	4,484
Additions in Year	66,096	107
Disposals and Demolitions	-1,341	0
Reclassification	-864	0
Revaluations in Year	-85,322	-256
Depreciation in Year	-16,464	-156
Depreciation Written back	18,942	149
Net Book Value as at 31 March 2010	698,632	4,328

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 2009	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 2009/10, the depreciation charged to the account less the MRA of £13.064m equals the reversal of the depreciation figure shown below (£3.556m).

2008/09 £000		2009/10 £000
0	Balance as at 1 April	320
19,028	Depreciation in the year	16,620
-5,793	Reversal of depreciation in excess of MRA	-3,556
0	Adjustment to MRR in respect of Depreciation	0
-12,915	Financing of Capital Expenditure	-11,189
320	Balance as at 31 March	2,195

Note 4 **Financing of Capital Expenditure**

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

	2009/10 £000
Borrowing Need	51,289
Capital Receipts	1,594
Revenue Contributions	2,100
Government Grants / Other Capital Income	978
Major Repairs Reserve	11,189
Total	67,150

During the year total capital receipts of £1.889m were received by the HRA, of which £0.931m was available to support capital expenditure within the Council. To support the Housing Investment Programme (HIP) £1.594m of Right to Buy and Land receipts were used leaving an accumulated balance of £3.034m 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 2009 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 2009 and has been calculated using the 'straight line' method over 30 years.

Note 6 Impairment

An impairment charge of £66.926m has been included in the HRA Income and Expenditure Account (£146.910m in 2008/09). 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

2008/09 £000	Notional HRA for Subsidy Calculation	2009/10 £000
31,948	Management and Maintenance	32,680
13,235	Major Repairs Allowance	13,064
0	Rent Constraint Allowance	0
11,620	Charges for Capital	12,224
-8	Interest on Receipts	0
0	Admissible Allowance	0
-58,980	Guideline Rent Income	-58,753
-2,185		-785
24	Defects grant and prior year adjustments	-75
-2,161	Notional Surplus (to be paid to Government)	-860

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.

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

2008/09 £000	Rent Arrears	2009/10 £000
1,075	Current Tenants	987
1,809	Former Tenants	2,058
2,884	As at 31 March	3,045

As at 31 March 2010, the level of rent arrears for current tenants as a proportion of gross rent income was 1.72% (1.93% 2008/09).

2008/09 £000	Bad Debt Provision in respect of rent income	2009/10 £000
1,655	As at 1 April	1,825
170	Increase in Provision	249
1,825	As at 31 March	2,074

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

2008/09 £000	Bad Debt Provision in respect of the rechargeable repairs	2009/10 £000
75	As at 1 April	92
17	Increase(+)/Decrease(-) in Provision	1
92	As at 31 March	93

Note 9 **Amortisation of Revenue Expenditure financed from Capital under Statute**

In 2009/10 the cost debited to the HRA was £0.153m (£0.117m in 2008/09).

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 2010

2008/09 £000	2008/09 £000		2009/10 £000	2009/10 £000	Note
85,670		Council Tax	86,993		
<u>18,863</u>	104,533	Council Tax Benefits	<u>21,216</u>	108,209	
	<u>63,794</u>	National Non-Domestic Rates		<u>66,093</u>	2
	168,327	Total Income		174,302	
		<u>Precepts</u>			
88,610		Rotherham Borough Council	91,617		
9,269		South Yorkshire Police Authority	9,616		
<u>4,194</u>	102,073	South Yorkshire Fire & Civil Defence	<u>4,372</u>	105,605	
	1,166	Distribution of Collection Fund Surplus		1,180	
	62,757	Contribution to NNDR Pool		65,357	
		<u>Bad Debts</u>			
111		NNDR	-189		
185		Council Tax	-502		
<u>0</u>	296	Community Charge	<u>0</u>	-691	
	228	Council Tax Write-Offs		373	
	624	NNDR Write-Offs		622	
	<u>302</u>	Collection Costs – NNDR		<u>311</u>	
	167,446	Total Expenditure		172,757	
-881		Surplus (-)/Deficit (+) for the year		-1,545	

THE COLLECTION FUND BALANCE

2008/09 £000		2009/10 £000	Note
-442	Balance as at 1 April	-1,323	
-881	Surplus (-)/Deficit (+) for the year	-1,545	
-1,323	Balance as at 31 March	-2,868	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 2009/10 is shown below.

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

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 97%
A	34,505	6/9	33,470
B	14,414	7/9	13,982
C	10,984	8/9	10,655
D	7,377	9/9	7,156
E	4,519	11/9	4,384
F	2,087	13/9	2,023
G	843	15/9	818
H	45	18/9	43
	74,774		72,531

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 £66,093,036 for 2009/10 (£63,794,164 in 2008/09) after allowing for reliefs and provisions was based on a total rateable value of £158,374,680 (£153,425,754 as at 31 March 2009) and a national multiplier of 48.5 pence in the pound and a small business rating multiplier of 48.1 pence in the pound (46.2 pence and 45.8 pence respectively in 2008/09).

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 2009/10 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 2010 (£2.868m) 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:

2008/09 £000		2009/10 £000
1,047	Billing Authority – Rotherham MBC	2,412
190	Major Precepting Authorities:	318
86	- South Yorkshire Police Authority	138
	- South Yorkshire Fire and Civil Defence Authority	
1,323	Total	2,868

Amounts payable to the Major Precepting Authorities are shown in the Balance Sheet net of amounts owed by the Authorities in respect of Council Tax Debtors.

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.

2008/09 £000	<u>Capital Account</u>	2009/10 £000
-3,202	Cash at bank 1 April	-7,462
-204	Transfer to/(from) Financial Instruments Adjustments Account	-158
14	Adjustment to loans outstanding for interest accruals	0
0	Add: Expenditure in the year – Loans repaid	0
-3,392		-7,620
0	Less Income:	0
4,070	Loans raised	4,477
	Repayments by Relevant Authorities	
-7,462	(+)Cash Overdrawn/(-)Cash at bank 31 March	-12,097

2008/09 £000	<u>Revenue Account</u>	2009/10 £000
5,936	Interest Paid on Outstanding Loans	5,950
226	Management and other expenses	174
6,162		6,124
133	Less Income:	47
	Notional Interest	
6,029		6,077
6,029	Recharge to Relevant Authorities	6,077
0		0

2008/09 £000	<u>Balance Sheet as at 31 March</u>	2009/10 £000
103,879	Capital Liabilities	103,879
-7,462	Loans Outstanding	-12,097
96,417	(+)Cash Overdrawn/(-)Cash at bank	91,782
95,735	Capital Assets	91,258
	Advances Outstanding	
682	Reserves	524
	Financial Instruments Adjustments Account (FIAA)	
96,417		91,782

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	
	Restated 31 March 2009 £000	31 March 2010 £000	Restated 31 March 2009 £000	31 March 2010 £000
Financial liabilities (principal amount) - PWLB	102,012	96,412	0	5,600
Financial liabilities at amortised cost - PWLB	102,012	96,412	1,867	7,467
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 2009 £000		31 March 2010 £000
1,867	Less than one year	7,467
5,600	Between one and two years	0
9,412	Between two and seven years	19,412
87,000	Between seven and fifteen years	77,000
0	More than fifteen years	0
103,879		103,879

Note 3 Financial Instruments – Fair Values

The fair values of the financial instruments are as follows:

31 March 2009			31 March 2010	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
103,879	125,160	Financial Liabilities – Debt	103,879	118,670
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		2009/10 £000
886	Balance at 1 April	682
	Movement in year	
-204	Premium and discounts	-158
682	Balance carried forward at 31 March	524

Group Income and Expenditure for the period ended 31 March 2010

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 2008/09 Net Expenditure £000		2009/10			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
80,140	Adult Social Care	120,402	-36,351	84,051	
1,487	Central Services to the Public	2,797	-998	1,799	
74,921	Education and Children Services	393,500	-280,340	113,160	
473	Court and Probation Services	450	-10	440	
47,177	Cultural, Environmental Regulatory and Planning Services	82,919	-31,139	51,780	
29,315	Highways and Transport Services	31,417	-3,151	28,266	
142,801	Local Authority Housing (HRA)	110,760	-52,492	58,268	
-575	Other Housing Services	112,759	-109,158	3,601	
15,771	Corporate and Democratic Core	2,340	-2,763	-423	
1,537	Non Distributed Costs	1,804	0	1,804	
-2	Share of operating results in: Associates	0	-4	-4	
0	Joint Venture	432	-385	47	
393,045	Net Cost of Services	859,580	-516,791	342,789	2
1,181	(Gain) or loss on disposal of fixed assets	2,004	0	2,004	
0	(Gain) or loss on disposal of long term investments	0	0	0	
2,003	Parish Council Precepts	2,064	0	2,064	
1,755	County and Other Levies	1,833	0	1,833	
-834	Dividends and (Surplus)/Deficit on Trading undertakings	0	-2,152	-2,152	
34,627	Interest Payable or Similar Charges	32,111	0	32,111	
-8,201	Interest & Investment Income	0	-1,576	-1,576	
0	Tax payable / income	31	0	31	
12,205	Pensions interest cost and expected return on pension assets	19,067	0	19,067	
1,191	Amounts payable into the Housing Capital Receipts Pool	958	0	958	
436,972	Net Operating Expenditure	917,648	-520,519	397,129	

Group Income and Expenditure (continued)

Restated 2008/09 Net Expenditure £000		2009/10 Net Expenditure £000	Note
436,972	Brought forward	397,129	
-29,613	General Government Grants	-38,414	
-7,354	PFI Support Grant	-8,033	
-100,197	Non Domestic Rates Distribution	-96,632	
-90,387	Demand on the Collection Fund	-93,981	
209,421	Income and Expenditure Account Deficit	160,069	
-4,913	General Fund balance attributable to school budgets	-3,756	

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

Restated 2008/09 £000		2009/10 £000
207,254	Deficit (+) on the Authority's single entity income and expenditure account	156,867
0	Less: Dividend income from group entities included in single entity income and expenditure account	0
2,169	Add: Surplus (-) or deficit (+) arising from group entities Subsidiaries	3,134
-2	Associates	-4
0	Joint Ventures	72
209,421	Group deficit	160,069

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 2008/09 £000		2009/10 £000
209,421	Net surplus (-) or deficit (+) for the year	160,069
-12,436	Surplus (-) or deficit (+) on revaluation of fixed assets	-22,502
0	Surplus(-)/deficit(+) arising on revaluation of available-for-sale financial assets	0
-46,736	Actuarial gains and losses on the pension fund assets and liabilities	114,569
-664	Any other gains (-) and losses (+) recognised in the STRGL	-731
-26,777	Prior year adjustment	0
122,808	Total recognised gains (-) or losses (+) for the year	251,405

Group Balance Sheet as at 31 March 2010

Restated 2008/09			2009/10		Note
£000	£000		£000	£000	
		<u>Long-term Assets</u>			
	793	Intangible Fixed Assets-		581	
	0	- Council		168	
		- Joint Venture			
		<u>Tangible Fixed assets</u>			
		<u>Operational Assets</u>			
717,585		Council Dwellings	698,632		
558,672		Other Land & Buildings-			
0		- Council	527,792		
4,905		- Joint Venture	2,567		
61,708		Vehicles, Plant, Furniture Equipment	6,542		
1,945		Infrastructure Assets	74,004		
1,344,815		Community Assets	1,521		
			1,311,058		
		<u>Non-Operational Assets</u>			
31,105		Investments Properties	30,774		
52,286		Surplus Assets	50,861		
29,560		Assets under Construction	39,585		
112,951	1,457,766		121,220	1,432,278	
	1,458,559	<u>Total Fixed Assets</u>		1,433,027	
	21,078	Long-term Investments		10,322	
	11	Investments in Associates		15	
	523	Long-term Debtors		559	
	1,480,171	<u>Total Long-Term Assets</u>		1,443,923	
		<u>Current Assets</u>			
995		Stock and Work in Progress	855		
		Debtors-			
48,008		- Council/Subsidiary	55,608		
0		- Joint Venture	753		
360		Landfill Usage Allowances	64		
66,294		Short-term Investments	6,074		
		Cash in hand or at Bank-			
18,765		- Council & Schools	20,396		
0		- Joint Venture	282		
134,422			84,032		
		<u>Current Liabilities</u>			
		Creditors-			
-94,070		- Council /Subsidiary	-90,525		
0		- Joint Venture	-820		
		Short-term Borrowing-			
-4,792		- Council	-19,677		
0		- Joint Venture	-214		
-2,867		Short-term PFI Finance Lease Liabilities	-3,538		
-731		Deferred Liabilities	-804		
		Balance at bank –overdrawn-			
-8,398		- Council / Subsidiary	-29,840		
-110,858	23,564		-145,418	-61,386	
	1,503,735	<u>Total Assets less Current Liabilities</u>		1,382,537	
		Long-term Borrowing-			
-416,638		- Council	-397,753		
0		- Joint Venture	-845		
		Deferred Liabilities-			
-14,900		- Council	-14,095		
0		- Joint Venture	-1,963		
-21,306		Provisions	-16,455		
-87,967		Government Grants Deferred Unapplied	-98,664		
-17,401		Capital Grants/ Contributions	-26,594		
-107,642		Long-term PFI Finance Lease Liabilities	-114,146		
0		Long-term Creditor	-231		
-207,460		Pensions - Liability	-332,775		
	-873,314			-1,003,521	
	630,421	<u>Total Assets less Liabilities</u>		379,016	

Group Balance Sheet as at 31 March 2010 (continued)

Restated 2008/09			2009/10		Note
£000	£000		£000	£000	
		Financed by:- <u>Capital Accounting balances</u>			
87,314		Revaluation Reserve	89,342		
697,388		Capital Adjustment Account	575,373		
147		Deferred Capital Receipts	137		
6,353		Usable Capital Receipts Reserve	4,001		
320		Major Repairs Reserve	2,195		
<u>0</u>		Available for Sale Reserve	<u>0</u>		
	791,522			671,048	
		<u>Notional Reserves</u>			
-207,460		Pensions Reserve	-332,775		
<u>-1,290</u>		Financial Instruments Adjustment Account	<u>-898</u>		
	-208,750			-333,673	
		<u>Reserves</u>			
46,602		Profit and Loss and other Reserves	39,229		
<u>1,047</u>		Collection Fund	<u>2,412</u>		
	47,649			41,641	
	630,421	Total Net Worth		379,016	

Group Cash Flow Statement for the period ended 31 March 2010

Restated 2008/09			2009/10	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows:		
332,260		Cash paid to and on behalf of employees	336,853	
304,082		Other Operating Costs	320,209	
21,902		Housing Benefit paid out	29,156	
2,002		Precepts paid	2,064	
<u>1,960</u>		Payments to Capital Receipts Pool	<u>624</u>	688,906
	662,206	Cash Inflows:		
-22,871		Rents (after rebates)	-22,709	
-74,320		Council Tax Income	-75,387	
-100,197		National non-domestic rates receipts from pool	-96,632	
-13,948		Revenue Support Grant	-22,304	
-20,624		DWP Housing Benefit Grant	-29,040	
-314,908		Other Government Grants	-329,954	
-140,792		Cash received for Goods and Services	-155,414	
<u>-13,285</u>	-700,945	Other Operating Cash Receipts	<u>-9,396</u>	-740,836
		SERVICING OF FINANCE		
		Cash Outflows:		
22,104		Interest Paid	20,598	
<u>10,244</u>	32,348	Interest element of finance lease payments	<u>11,021</u>	31,619
		Cash Inflows:		
<u>-8,044</u>	<u>-8,044</u>	Interest Received	<u>-3,621</u>	<u>-3,621</u>
	-14,435	Net Revenue Cash Outflow(+)/Inflow(-)		-23,932
		CAPITAL ACTIVITIES		
		Cash Outflows:		
165,831		Purchase of Fixed Assets	153,464	
<u>9,983</u>	175,814	Purchase of Long Term Investments	<u>0</u>	153,464
		Cash Inflows:		
-8,129		Sale of Fixed Assets	-1,931	
-45,865		Capital Grants Received	-36,248	
<u>-15,159</u>	<u>-69,153</u>	Other Capital Income	<u>-4,934</u>	<u>-43,113</u>
	92,226	Net Cash Outflow(+)/Inflow(-)		86,419
	- 5,000	ACQUISITIONS AND DISPOSALS		
	<u>0</u>	Sale of Long Term Investment		-10,225
	87,226	Investment in Associates or Joint Ventures		<u>0</u>
		Net Cash Outflow(+)/Inflow(-) Before Financing		76,194
		MANAGEMENT OF LIQUID RESOURCES		
- 70,643		Net change in short term deposits	-58,806	
<u>1,681</u>	-68,962	Net change in other liquid resources	<u>-3,848</u>	-62,654
		FINANCING		
		Cash Outflows:		
215,757		Repayments of amounts borrowed	194,290	
<u>2,105</u>	217,862	Capital element of finance lease rental payments	2,611	196,901
		Cash Inflows:		
-70,000		New Loans Raised	-25,000	
<u>-180,707</u>	-250,707	New Short Term Loans	<u>-165,630</u>	-190,630
	-14,581	Cash decrease(+)/increase(-)		19,811

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 37 to the Core Financial Statements: Investments – Related Businesses and Companies, Group accounts have been prepared. These incorporate only the results of:

2010 Rotherham Ltd

2010 Rotherham Ltd, a wholly owned subsidiary

In March 2010, 2010 Rotherham Ltd embarked on a programme of downsizing and externalisation which resulted in the release of a number of staff.

The Council through its ongoing support to 2010 Rotherham Ltd will assist the company in meeting its financial obligations arising from this to the extent that this proves necessary.

RBT (Connect) Ltd

RBT (Connect) Ltd, an associate of which the Council owns 19.9%

During the financial year RBT (Connect) Ltd provided services worth £32.467m to the Council. At the 31 March 2010 a sum of £4,536,618 was payable by RBT (Connect) Ltd to the Council and £2,349,930 was owed from the Council to RBT (Connect) Ltd.

Digital Region Ltd

As mentioned in Note 37 to the accounts, the Council has an interest in Digital Region Ltd. There is a financial risk contingent on the future financial performance of the company. It is not possible to estimate with any certainty the likely financial impact of this risk at present.

Digital Region Ltd, a joint venture, of which the Council owns 10% of the company's 1,500 'A' £1 voting shares for voting purposes, these are non-equity shares and or dividend purposes – the Council holds 8.57% of the company's 70 £1 class 'B' shares that have been allocated – 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.

During the financial year Digital Region Ltd provided no services to the Council.

Note 1 **Statement of Accounting Policies**

2010 Rotherham Ltd has adopted the same accounting principles as the Council. Digital Region Ltd produced their 2009/10 Statement of Accounts on an IFRS basis. As far as can be ascertained, there are no material differences between the accounting principles of RBT (Connect) Ltd, Digital Region 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 £11,989,536 paid by the Council to 2010 Rotherham Ltd has been eliminated on consolidation.

The following deferred taxation liability has been recognised in respect of:

- | | |
|----------------------|---|
| - 2010 Rotherham Ltd | £9k (NIL 2008/09) deferred taxation liability |
| - Digital Region Ltd | £22K deferred taxation liability |

Note 3 **Group Balance Sheet**

Current Assets and Liabilities

At 31 March 2010, 2010 Rotherham Ltd owed the Council £5,273,573 and was owed £11,258,077 by the Council. These balances have been eliminated on group consolidation.

Pensions Liability

The Pensions liability of 2010 Rotherham Ltd at 31 March 2010 was £21,529,000.

Note 4 **Group Cash Flow Statement**

The change in the cash position over the Council's Cash Flow Statement reflects the Group decrease of £19,811,000.

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ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2009/10

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 and properly accounted for, and used economically, efficiently and effectively. Rotherham Metropolitan Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which 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 Rob Houghton on 01709 254424. 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 authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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. 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 2010 and up to the date of approval of the 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 within the Local Strategic Partnership members including local businesses, 2010 Rotherham Ltd, South Yorkshire Police, Voluntary & Community Sectors, and the 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. Progress on key priorities is monitored and reported to Members on a regular basis.

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. The Council has also been active in developing a joint performance management framework within the Local Strategic Partnership. 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). The effectiveness of these arrangements is assessed annually as part of the Audit Commission's Use of Resources assessment.

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 Constitution includes 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.

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.

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. The Standards Committee comprises Councillors and external Members. It is cross-party (2 Labour and 2 Conservative). It has a majority of non-Council Members, including both the Chair and Vice-Chair.

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, Financial Regulations, 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 the officer responsible for the proper administration of the Council's financial affairs 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 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 Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council's Chief Financial Officer:

- Is a key member of Leadership team, helping it to develop and implement strategy and resource to deliver the Council's strategic objectives sustainably and in the public interest
- Is actively involved in and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the Council's financial strategy

- Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Leads and directs the finance function that is resourced to be fit for purpose
- Is professionally qualified and suitably experienced

3.8 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. The Audit Committee also oversees the financial reporting process and provides independent scrutiny of the Council's financial and non-financial performance.

3.9 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.

3.10 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.

3.11 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. Individuals' targets are derived 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. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members' individual development needs are identified in personal development plans.

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

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

The Council entered into a range of public consultation exercises in developing the vision for Rotherham. 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.

3.13 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 authority who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are 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.

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 ensuring that the Council's financial management arrangement conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Cabinet received regular Revenue and Capital Budget Monitoring Reports throughout the financial year. The Council responded positively to the Credit Crunch and the Economic Downturn, including making budget provision to support the response.

Cabinet receives regular progress reports on the implementation of the Local Development Framework, which that is a key driver to delivering sustainable development.

Council seminars that took place during the year included: Safeguarding Adults; The Members Role in the Appeals Process; Changes to the Constitution; Finance; Planning and Local Development Framework; Code of Conduct; Community Cohesion.

4.2 The Corporate Governance Group

Cabinet established a Corporate Governance Group to oversee the effective application of governance arrangements and to review specific corporate governance issues in detail. During the year, the group looked at:

- The Local Code of Corporate Governance
- Risk management strategy
- Corporate risk register
- Partnerships' governance
- Significant governance issues reported in the Annual Governance Statement
- Audit and inspection activity and reports.

4.3 The Strategic Leadership Team

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

Vision / Strategy: <ul style="list-style-type: none"> • Community Strategy / Corporate Plan / LAA • Rotherham Town Centre • Local Development Framework • Rotherham Partnership • Service Planning • Customer Access Strategy • Policy Review 	Performance Management : <ul style="list-style-type: none"> • Corporate priorities – Plan on a Page • Annual Audit Plan • Audit & Inspection recommendation monitoring • Quarterly performance reports • Use of Resources Self Assessment • National Indicator Set • Comprehensive Area Assessment • Data Quality Management • CAA Framework
Financial Management : <ul style="list-style-type: none"> • Accounts & Audit Regulations • Area Based Grant • Base Budget Review • Medium Term Financial Strategy • Revenue & Capital Outturn • Revenue Budget Monitoring • Capital Monitoring • Treasury Management • Statement of Accounts • Capital & Asset Management Plan • Budget Processes • Value For Money Gains • Revenue Budget 	Risk Management : <ul style="list-style-type: none"> • Flooding Action Plan • Corporate Risk Register • Consultation on Environmental Climate Change • Prevent Strategy • Managing the risk of fraud • Pandemic Exercise • Review of Road Safety outside Schools
Corporate Governance : <ul style="list-style-type: none"> • Review of Framework for producing Annual Governance Statement 	Capacity and Capability : <ul style="list-style-type: none"> • Management Development • Worksmart Flexible Working

<ul style="list-style-type: none"> • Strengthening Local Democracy • Annual Governance Statement • Partnerships' Governance • Local Code of Corporate Governance • Delegation of Powers Review • Parish Council Governance • Electoral Software System • Information Governance Unit 	<ul style="list-style-type: none"> • Skills for life • Employee Opinion Survey • Learning & Development Review • Corporate Workforce Strategy • Induction Audit • Equal Pay • Investors In People • E-Learning • Employee Involvement Programme •
External Inspections / Reviews : <ul style="list-style-type: none"> • Fostering Inspection • Inspection of Contact Referral and assessment -CYPS • Children's Service Inspection • External Audit Plan • Treasury Management • Annual Audit & Inspection Letter • Review of CYPS • Care Quality Commission Inspection of Safeguarding Services for People with Disabilities and Sensory Impairment 	Communications and Engagement : <ul style="list-style-type: none"> • Communication and Marketing • Enhancing Reputation • Freedom of Information • Place Survey • Publication of Annual Report • Communicating One Council • Best Practice in Marketing and Communication
Internal Audit : <ul style="list-style-type: none"> • Internal Audit Annual Report • Internal Audit Plan • Audit Committee Annual Report • Annual Review of the effectiveness of the system of Internal Audit 	Commissioning / Procurement : <ul style="list-style-type: none"> • Commissioning Framework • Procurement Strategy • NRF Future commissioning

4.4 Corporate Improvement Board

During 2009/10 the Corporate Improvement Board received reports on the following good governance related issues:

Performance Management : <ul style="list-style-type: none"> • Use of Resources • Inspection Plan • Children's Review • Audit and Inspection Activity • Local Area Agreement • Performance Clinics • Comprehensive Area Assessment 	<ul style="list-style-type: none"> • Annual Unannounced Inspection of Contact, Referral and Assessment Arrangements within Local Authority Children's Services • Adult Social Care Services Annual Performance Assessment • Children and Young People's Improvement Plan
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4.5 The Audit Committee

During 2009/10 the Audit Committee provided independent assurance about the following good governance related issues:

Internal Control, Corporate Governance & Risk Management : <ul style="list-style-type: none"> • Fraud survey • Survey of Ethical Arrangements • Insurance Performance and Current 	Financial Management : <ul style="list-style-type: none"> • Treasury Management • Final Accounts Closedown • Accounting Policies
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Issues <ul style="list-style-type: none"> • Corporate Risk Register • Accounts & Audit Regulations • Annual Statement of Assurance • Annual Governance Statement 	<ul style="list-style-type: none"> • Prudential Indicators • Overarching Charging Policy • Proposed Changes to Capital finance system • Role of the Chief Finance Officer • Statement of Accounts
Internal Audit : <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 • Anti fraud and Corruption Strategy 	External Audit : <ul style="list-style-type: none"> • Audit Commission Annual Audit & Inspection Letter • Audit & Inspection Plan • Audit and Inspection recommendations update • Use of Resources Judgement • KPMG Progress Report • KPMG Grants Report • Statement of Accounts

4.6 Performance Scrutiny and Overview Committee

During 2009/10 the Performance and Scrutiny Overview Committee considered and reviewed the following good governance related issues:

Vision / Strategy : <ul style="list-style-type: none"> • Local Area Agreement / Community Strategy Refresh • ICT Strategy • Health Issues • Review of Children & Young People • Local Area Agreement • Area Assemblies proposals • School Council Principles • Review of Debt Recovery • Review of Choice Based Lettings • Yorkshire South Tourism 	Performance Management : <ul style="list-style-type: none"> • Comprehensive Area Assessment • RBT Performance • Use of Resources • Local Area Agreement • Council Performance • Scrutiny Complaints Review • Scrutiny Annual Report • Corporate Improvement Plan
Financial Management : <ul style="list-style-type: none"> • Budget • Economic Downturn • Credit Crunch Impact Assessment • Efficiency & Value for Money • Treasury Management • Major External Funding Programme • Devolved Budget Proposals • Value For Money Reviews 	Risk Management : <ul style="list-style-type: none"> • Corporate Risk Register • Floods 2009 • Prevent strategy
Corporate Governance : <ul style="list-style-type: none"> • New Scrutiny Functions & Regs. • Partnerships' Governance • Review of Local Code of Corporate Governance • Future of Scrutiny- tackling the big Issues 	Communications and Engagement : <ul style="list-style-type: none"> • Council Annual report • Strengthening Local Democracy • Place Survey Actions • Duty to respond to petitions

Commissioning / Procurement : <ul style="list-style-type: none"> • Review of use of Consultants • Local Performance Indicators • Refresh of Procurement Strategy • Procurement Strategy Action Plan 	
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4.7 The Standards Committee

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

Corporate Governance : <ul style="list-style-type: none"> • Roles of Standards Committee, • Ethical Audit • Review of Local Code of Corporate Governance • Annual Governance Statement • Review of Complaints against Elected Members • Partnerships' Governance • Confidential Reporting Code • Freedom of Information Requests • Fraud Survey • Anti Fraud and Corruption Strategy • Annual Fraud Report 	Capacity and Capability : <ul style="list-style-type: none"> • Standards Board for England Bulletins • Annual Return and Guidance Notes • Standards Board Corporate Plan • Assessing the Impact of Standard Committees • Joint Standard Committee Guidance • Local Standards National Perspective • Standards Committee Workplan
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4.8 Internal audit

During 2009/10 Internal Audit reviewed all the Council's main financial systems, including Council Tax; Business Rates; Creditors; Payroll; Benefits; Housing Rents and Debtors.

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

4.9.1 Rotherham Council was judged as "performing adequately" in the **2009 Comprehensive Area Assessment (CAA)**, with an overall score of 2 out of 4. Two elements made up this overall score, and they were rated as follows:

- Managing Performance (**performing adequately**) 2 out of 4
- Use of Resources (**performing well**) 3 out of 4

The Use of Resources element is further analysed into three areas. Performance in these areas was as follows

- Managing finances 3 out of 4
- Governing the business 3 out of 4
- Managing resources 3 out of 4

4.9.2 The Care Quality Commission's service inspection of adult social care judged that Rotherham was performing well in safeguarding adults, performing adequately in supporting improved quality of life and performing well in supporting increased choice and control.

4.9.3 The Care Quality Commission's service inspection of adult social care for people with physical and or sensory disabilities judged that Rotherham was

performing well in safeguarding adults, performing adequately in supporting improved quality of life and performing well in supporting increased choice and control.

4.9.4 The 2009 Ofsted report on Fostering Services gave an overall quality rating of satisfactory. See also Section 5.1.4.

4.9.5 A Council sponsored review of Rotherham's Children's services by 'Mouchel' consulting and business services highlighted a number of weaknesses in the working practices between the Council and NHS Rotherham. Thirty five recommendations were made to improve outcomes and ensure the safety of young children in Rotherham. Following the annual Ofsted assessment, the Council was required to produce an improvement plan to improve a range of services for Children. See also Section 5.2.1

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on the 2008/09 significant governance issues

The significant issues raised in the 2008/09 Annual Governance Statement have been addressed as follows:

5.1.1 I.T. Business Continuity

During 2008/09 Internal Audit reviewed access controls / business continuity plans for the Authority's principal IT applications. The review found gaps in business continuity arrangements for these applications.

During 2009/10 Internal Audit undertook a wider review of business continuity planning, comparing the Council's arrangements with industry best practice. This audit concluded that arrangements and funding had been put in place to bring the Council's arrangements into line with British Standard (BS 25999). Arrangements now need to be fully implemented and tested once complete.

5.1.2 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 were considered for insurance purposes. Mitigating action was being taken by management.

Improvement continues to be made with the provision of information from the Property Services to the Insurance Team. Regular liaison meetings between the relevant teams are also now taking place. As a result of these actions, this issue is no longer regarded as a significant weakness.

5.1.3 Bereavement Project

During 2008/09 Internal Audit carried out a review of the contract management arrangements and identified a number of shortcomings relating to performance monitoring, contingency planning and processes supporting price changes.

Following the review of significant partnerships carried out by the Governance and Risk Manager actions have been put in place to strengthen governance, contingency plans and risk management arrangements relating to the Dignity Partnership. As a result of these actions, this issue is no longer regarded as a significant weakness.

5.1.4 Fostering

In 2008 Ofsted rated the Council's Fostering Services as inadequate following its Inspection of the service. Weaknesses highlighted included overcrowding, risk assessments, monitoring systems and clarity of roles. The Council has implemented a wide range of actions to deliver the required improvements. Subsequently, the 2009 report by Ofsted on Fostering Services gave an overall quality rating of satisfactory. Progress is continuing to be monitored by the Council.

5.1.5 2010 Rotherham Ltd

The Audit Commission Inspection report published in November 2008 highlighted historical weaknesses in the financial management of the in-house service. An update on this matter is provided in Section 5.2.3.

5.2 Significant governance issues arising from the 2009/10 review of the effectiveness of the governance framework.

5.2.1 Children and Young Peoples Service

Ofsted's Annual Assessment (2009) judged Rotherham's Children's service to be "performing poorly", with particular areas for improvement noted as the need to:

- Increase the percentage of referrals presented for initial assessment
- Increase the percentage of initial assessments that are completed within seven working days
- Increase the percentage of core assessments carried out within 35 working days
- Reduce social worker and team manager vacancies
- Ensure overall improvements are achieved in Children's Services and attainment targets during the life of the notice period
- Produce a plan to reduce the numbers of primary schools under the floor target (i.e. minimum standards) at Key stage 2.

The Council is working with the Department for Children, Schools and Families and the Government Office (Yorkshire and Humber) to implement a comprehensive improvement plan designed to achieve rapid improvement.

5.2.2 Swinton Comprehensive School

An audit of Swinton Comprehensive School highlighted significant weaknesses with the School's financial management. The weaknesses have resulted in the School accumulating a deficit of £712,000 at by March 2010, and this is currently expected to increase further by 31 March 2011, while remedial action is taken.

The deficit was in large part due to spending decisions which created recurring costs, made during the tenure of the School's former Head, who left during 2009.

Work is ongoing between the Children and Young People's Service, Financial Services and the School to implement a robust recovery plan and improve budgetary control.

5.2.3 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 implement management arrangements to improve the Company's position and put in place effective procedures for maintaining a robust financial position.

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



Martin Kimber, 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 2010 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 Responsible Financial Officer and auditor

The Responsible 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 2009 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- 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 the Explanatory Foreword and the content of the Annual Report. 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.

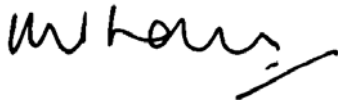
Opinion

In our opinion:

- The accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its Group as at 31 March 2010 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

Chartered Accountants
 2 St James' Square
 Manchester
 29th September 2010

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.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
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.
Operating Lease	A lease other than a finance lease. This method of financing assets, which allows the Council to use, but not own an asset in exchange for rental payments, but where the risks and rewards of ownership are not substantially transferred.
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	<p>The definition of a related party is dependent upon the situation through key indicators of related parties are if:</p> <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.
Stocks	The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.
Useful Life	The period over which the Local Authority will derive benefits from the use of a fixed asset.

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Email: central.finance@rotherham.gov.uk
www.rotherham.gov.uk

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Slovak

Ak vy alebo niekto koho poznáte potrebuje pomoc pri pochopení alebo čítaní tohto dokumentu, prosím kontaktujte nás na vyššie uvedenom čísle alebo nám pošlite e-mail.

Kurdish Sorani

کوردی سۆرانی

نەگەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بەیارمەتی هەبێت بۆ ئەوەی لەم بەلگەنامە یە تێبگات یان بێخوێنتەوه، تەکایە پەیوەندیمان پێوه بکە لەسەر ئەو ژمارەییە سەرەویدا یان بەو نێمەییە.

Arabic

عربي

إذا كنت أنت أو أي شخص تعرفه بحاجة إلى مساعدة لفهم أو قراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

Urdu

اُردو

اگر آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ہے تو برائے مہربانی مندرجہ بالا نمبر پر ہم سے رابطہ کریں یا ہمیں ای میل کریں۔

Farsi

فارسی

اگر جناب عالی یا شخص دیگری که شما او را می شناسید برای خواندن یا فهمیدن این مدارک نیاز به کمک دارد لطفاً با ما بوسیله شماره بالا یا ایمیل تماس حاصل فرمایید.