AUDIT COMMITTEE

Venue: **Town Hall, Moorgate Street, Rotherham. S60 2TH**

Date: **Wednesday, 26 September 2012**

Time: **4.00 p.m.**

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.

2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.

3. Minutes of the previous meeting held on 18th July, 2012 (herewith) (Pages 1 - 5)

4. 2011/12 Statement of Accounts and External Auditors Annual Governance Report (ISA 260) (herewith) (Pages 6 - 183)

5. Annual Treasury Management Report and Actual Prudential Indicators 2011/12 (report herewith) (Pages 184 - 199)

6. Audit and Inspection Recommendations Update Report (herewith) (Pages 200 - 204)

7. Date and time of the next meeting: -

    - Wednesday 24th October, 2012, to start at 4.00 pm in the Rotherham Town Hall.

AUDIT COMMITTEE
18th July, 2012

Present:- Councillor Sangster (in the Chair); Councillors Gilding and Kaye.

An apology for absence was received from Councillor Sims and Rashpal Khangura, KPMG

P8. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH MAY, 2012.

The minutes of the previous meeting held on 30th May, 2012, were considered.

Resolved: - That the minutes of the previous meeting be agreed as a correct record for signature by the Chairman.

P9. LOCAL AUTHORITY GOVERNANCE - CONSULTATION.

The Director for Internal Audit and Asset Management reported that consultation was underway in relation to changes proposed to local authority governance. The proposed changes included: -

- Appointments to external auditors;
- Role of independent Chair and members;
- Requirement for independent auditor's panel.

The consultation's response deadline was 29th August, 2012.

P10. INTERNAL AUDIT ANNUAL REPORT 2011/12.

The Chief Auditor, Internal Audit and Asset Management, Resources Directorate, presented a report that outlined the findings of the Internal Audit Annual Report (2011/12).

The full Internal Audit Annual Report had been attached at Appendix one.

The Chartered Institute for Public Finance and Accountancy (CIPFA) required that an annual report of internal audit work be undertaken to examine the work that had been carried out during the previous year, including on mandatory areas.

The following areas contributed to Rotherham's Internal Audit Annual Report: -

- Review of the Council's Risk Registers;
- Review of revenue and capital budgets;
- Cumulative audit knowledge and experience of previous work undertaken;
- Review of key plans, reports and press coverage;
- Awareness of priorities identified by the Council's Strategic Directors and Service Directors;
- Knowledge of existing management and control environments, including information relating to any system changes;
- Professional judgement on the risk of fraud and error.

The report showed that audit activity was completed in approximately 84% of the planned auditable areas. This included all critical work on fundamental financial systems.

The Chief Auditor was able to confirm that the Internal Audit Department's coverage of the Council's activity was sufficient to be able to state that the Council's control environment was adequate and operated satisfactorily during 2011/12.

The Accounts and Audit Regulations (2011) required local authorities to undertake a review into the effectiveness of the internal audit that had taken place. The following were considered in making a judgement on the system's effectiveness: -

- Internal Audit Annual Report: -

    - Excellent performance seen against targets, particularly in the context of changes and staffing reductions to the Service.

- Customer satisfaction: -

    - Most recent survey of senior managers' views of the Service taken in 2010 reported an average of 5.35 on a scale of 1 = poor and 6 = excellent;
    - In 2011/12, 100% of managers of a Service area that had been audited rated the Service provided as good or excellent.

- External Audit (KPMG) review of Internal Audit: -

    - The KPMG review of January 2010 found that the Service was fully compliant with the CIPFA Code of Practice for Internal Audit;
    - In April 2012, following review of 2011/12 internal audit work, KPMG again confirmed their full reliance on the Service's work.

The Audit Committee's attention was drawn to sections 4.2, Internal Audit Resources, and 4.3, Benchmarking, which demonstrated a lean, cost effective and competitive Service.

One issue raised within the report related to a slight delay seen in the Sundry Debtors' System concerning delays at the formal legal stage. Internal Audit Management were already aware of this issue and had put control actions in place.

Discussion ensued and the following issues were raised: -

- A small number of the Planned Audits in 2011/12 were recorded as 'Awaiting Reply' at the 'number of recommendations agreed' stage. Were there sufficient safeguards to ensure this was followed up?

    - The Chief Auditor confirmed their confidence in the system in place; a follow-up process did exist. An escalation mechanism existed to refer persistent non-compliance. Since the report had been published, responses had been received in two of the cases.

- Opportunity to include the comments made by managers whose Services had undergone Audit work within the Annual Report to support the customer service section.

- Sundry Debtors' Department.

- Small Businesses.

Resolved: - (1) That the Internal Audit Annual Report for 2011/12 be noted, including the confirmation that the Council's control environment worked effectively during the year.

(2) That it be noted that there was adequate Internal Audit in place which operated effectively during 2011/12.

P11. ANNUAL FRAUD REPORT 2011/12.

Consideration was given to the report presented by the Director for Internal Audit and Asset Management outlining the work that had taken place in 2011/12 to prevent and detect fraud and corruption. The draft Annual Fraud Report (2011/12) demonstrated the Council's commitment towards minimising the risk of fraud and deterring potential fraudsters.

The full version of the Council's Annual Fraud Report (2011/12) had been submitted at Appendix A.

In 2011/12, the Council: -

- Investigated 1,393 potential fraudulent Housing and Council Tax Benefit cases (compared to 895 in 2010/11);
- Obtained 32 prosecutions (25 in 2010/11);
- Issued 108 formal cautions (107 in 2010/11);
- Issues 93 administrative penalties (84 in 2010/11);
- Recovered £2.52millions in overpayments in Benefits (compared to £2.45 millions in 2012/11).

It was noted that the incidence of fraud remained very low in overall terms, when the breadth of the Council's activities and spending were taken into account.

- There had been no incidences of general fraud (excluding Benefits) that exceeded £10,000 during 2011/12.

There were 9,036 Housing and Council Tax Benefit overpayments in 2011/12 (compared to 8,880 in 2010/11). This represented a small proportion of the total payments made during 2011/12. The vast majority were not fraudulent claims but as a result of changing circumstances that were notified after the change had occurred, necessitating a future change being required. The Council investigated 1,393 potentially suspicious overpayment charges, The £2.52 millions of overpayments that were recovered would be used in delivering frontline services for the benefit of Rotherham residents.

The Director of Internal Audit and Asset Management reported that a press release would be prepared in relation to these successes.

Discussion ensued and the following issues were raised: -

- Anecdotal evidence existed that Rotherham was in-line with the national average on Benefit recovery;
- Work was ongoing to identify the profile of Benefit fraudsters.

Resolved: - (1) That the production of the Local Authority's Annual Fraud Report be supported.

(2) That appropriate publicity be produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

P12. STATEMENT OF ACCOUNTS 2011/12 (UNAUDITED).

Consideration was given to the report presented by the Chief Accountant and Finance Manager (Accounting Standards). The report provided further information to the Audit Committee about the unaudited Financial Statements, prior to considering the audited Financial Statements in September, 2012.

The unaudited Financial Statements had been attached at Appendix 2. They were published on the Council's website on 29th June, 2012, thereby complying with the requirements of the Accounts and Audit Regulations (2011) for them to be published no later than 30th June.

The Financial Statements and related books, deeds, contracts, bills, vouchers and receipts were on deposit for public inspection over the period from 16th July, 2012, until 10th August, 2012.

The principal changes to the 2011/12 Statement of Accounts were: -

- Disaggregation of Cultural; Environment and Regulatory; and, Planning Service revenue expenditure in the Combined Income and Expenditure Statement into three separate expenditure headings in 2011/12 ;
- New disclosure on the cost of exit packages (disclosed in Note 14);
- Introduction of a new category of assets called heritage assets (described in Note 24);
- Clarity on the definition of related parties which had been used to reappraise the disclosure of Related Party Transactions in Note 17.

Part B of the submitted Appendix one showed how the Council had responded to the recommendation made by KPMG in 2010/11 on areas for improvement in closing down and preparing the 2011/12 Financial Statements.

Discussion ensued, and the following issues were raised: -

- Updates on various financial commitments and investments made by the Council were given;
- Availability of information.

Resolved: - (1) That the unaudited Financial Statements be received and the content of the document be noted.

(2) That it be noted that the Statutory Requirement to publish Statement of Accounts by no later than 30th June, was met with the publication of Rotherham's Statement of Accounts on 28th June, 2012.

P13. DATE AND TIME OF THE NEXT MEETING: -

Resolved: - That the next meeting of the Audit Committee take place on 26th September, 2012, commencing at 4.00 pm in the Rotherham Town Hall.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**26 September 2012**
3.	**Title:**	**Statement of Accounts 2011/12**
4.	**Directorate:**	**Resources**

5. Summary

To advise Members of the matters arising from the external audit of the Council's 2011/12 Statement of Accounts as presented in the external auditor's ISA260 report and in acknowledging these findings request that the Audit Committee approve both the Letter of Management Representations and the audited Statement of Accounts 2011/12.

6. Recommendations

1. **That the Audit Committee accepts the External Auditor's ISA260 report to those charged with governance attached at Appendix 1.**

2. **That the Audit Committee approves the Statement of Accounts 2011/12 attached at Appendix 2.**

3. **That the Audit Committee approves the Letter of Management Representations attached at Appendix 3.**

7. Proposals and Details

The unaudited Statement of Accounts were authorised for issue by the Strategic Director of Resources, as Responsible Financial Officer (S151 Officer), and published on the Council's website on 29 June 2012. These Accounts were presented to Audit Committee for information on the 18 July 2012.

The unaudited Statement of Accounts has now been subject to audit, and any necessary changes discussed and agreed between the S151 Officer and the Auditor. The Statement of Accounts, in its revised form, now requires approval by Members prior to publication before the end of September 2012.

The Auditor's ISA 260 report (attached at Appendix 1 to this report) sets out in detail the outcomes from the audit including any changes made to the unaudited Statement of Accounts 2011/12.

Overall, the report is an extremely positive one. As noted on page 3 of the report, a very small number of minor presentational changes were identified all of which have been corrected in the final version of the Statement of Accounts presented to Audit Committee for approval at Appendix 2.

None of the presentational changes made affect the financial performance or financial position of the Council reported in the unaudited Statement of Accounts.

In addition, the report confirms on page 9 that:

- **no significant internal control weaknesses were found in the Council's financial systems and procedures** (this reaffirms the conclusion reported in the KPMG's Interim Audit Report presented to Audit Committee on 25 April 2012 that there are good controls over key financial systems);

- **there are no other matters which need to be reported to Audit Committee;** and

- the audit process was fully supported through **good quality working papers and timely provision of responses to audit queries** (see page 8 of the report).

As a result of these positive assurances, KPMG anticipate being able to give an **unqualified opinion by 30 September** that the Council's Statement of Accounts provides a true and fair view of its financial position and income and expenditure for the year ended 31 March 2012 (see page 3 of the report).

These findings demonstrate that the Council has been able to sustain in 2011/12 the high standard of financial reporting that was achieved last year in this the second year in which the Statement of Accounts have been prepared under International Financial Reporting Standards (IFRS).

Achieving these excellent outcomes for the Council is testament to the continuing professionalism of all staff engaged in the accounts production process both within Financial Services and other Directorates.

It also reflects the benefit of officers taking a proactive role in identifying potential risks so that a dialogue can take place with the External Auditors at an early stage to discuss and seek agreement on significant / complex accounting issues affecting this year's accounts (see page 7 of the report)

In order for KPMG, LLP to complete their audit and satisfy International Auditing Standards, the Council is required to provide them with a written Letter of Management Representation from those charged with governance. Appropriate enquiries have already been made with officers of the Council to confirm the representations made. Appendix 3 attached to this report is the Letter of Management Representations in the format prescribed by KPMG, LLP to be approved by the Audit Committee.

8. Finance

The Statement of Accounts 2011/12 presents a true and fair view of the Council's financial position and its income and expenditure for the year ended 31 March 2012. In responding to audit matters raised by KPMG, LLP **no changes have been made that affect the overall financial position of the Council** previously reported to Cabinet in July.

9. Risks and Uncertainties

Any outstanding issues have been included in the ISA260 report.

10. Policy and Performance Agenda Implications

These issues are disclosed in the Auditor's ISA260 report.

11. Background Papers and Consultation

External Auditor's ISA260 Report 2011/12 (Appendix 1)
Audited Statement of Accounts 2011/12 (Appendix 2)
Letter of Management Representation (Appendix 3)
Audit Committee – 18 July 2012

Contact Names:

Derek Gaffney, Chief Accountant, ext. 22005, derek.gaffney@rotherham.gov.uk

Simon Tompkins, Finance Manager (Accountancy Services), ext *54513, simon.tompkins@rotherham.gov.uk*

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2011/12

Rotherham Metropolitan Borough Council

12 September 2012

Contents

The contacts at KPMG in connection with this report are:

Stephen Clark
Director
KPMG LLP (UK)

Tel: 0113 231 3148
stephen.clark@kpmg.co.uk

Rashpal Khangura
Senior Manager
KPMG LLP (UK)

Tel: 0113 231 3396
rashpal.khangura@kpmg.co.uk

Amy Warner
Assistant Manager
KPMG LLP (UK)

Tel: 0113 231 3089
amy.warner@kpmg.co.uk

	Page
Report sections	
■ Introduction	2
■ Headlines	3
■ Financial statements	5
■ VFM conclusion	10
Appendices	
1. Recommendations	13
2. Declaration of independence and objectivity	14
3. Draft management representation letter	16

Section one

Introduction

This report summarises:

- **the key issues identified during our audit of Rotherham Metropolitan Borough Council's ('the Authority's) financial statements for the year ended 31 March 2012; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our Interim Audit Report 2011/12, presented to you on 25 April 2012, which summarised our planning and interim audit work.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

We previously reported on our work on the first two stages in our *Interim Audit Report 2011/12* issued in April.

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between 16 July and 14 September. During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2011/12 VFM conclusion. This included work to address the specific risks we identified in relation to:

- RBT; and
- Digital Region Ltd

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2011/12 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Page 12

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2012. We will also report that the wording of your Annual Governance Statement accords with our understanding of the Authority and its arrangements.
Audit adjustments	Our audit has identified no audit adjustments. There were some minor presentational differences but these have no impact on the level of general fund reserves.
Critical accounting matters	We have worked with Officers throughout the year to discuss specific risk areas, which the Authority appropriately addressed. The Authority proactively raised complex accounting treatments in respect of the ending of the partnership with RBT and accounting for the provision for Digital Region Ltd in advance of our final audit visit. • RBT – The financial implications of concluding the partnership with BT plc was treated in accordance with guidance on settling financing obligations. • Digital Region Ltd – The Authority's financial statements include a provision for the costs in relation to the decision to re-procure the Digital Region services under a new business model. In both cases the Authority produced good quality and technically compliant working papers to justify the accounting treatment. Where we raised queries with the accounting treatment, officers responded quickly with further justification and supporting evidence.
Accounts production and audit process	The accounts and supporting working papers were of high quality, that reduced the audit time spent asking for explanation for accounting entries. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the final checks on the financial statements. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2012.
VFM risk areas	We have considered the specific VFM risks we set out in our External Audit Plan 2011/12. We identified two specific risk areas. These were. • the conclusion of the partnership agreement with BT; and • the decision to re-procure the Digital Region services under a new business model. In both cases the decisions taken considered appropriate financial and risk considerations.

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2012.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material adjustments. We identified a number of presentational issues that have been adjusted by management. We also identified a classification issue in relation to treatment of impairment of land. These adjustments do not have an impact on the overall financial position of the Authority.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2011/12*, presented to you in March, we identified the key risks affecting the Authority's 2011/12 financial statements.

In our *Interim Audit Report 2011/12* we commented on the Authority's progress in addressing these key risks.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
Savings Plan	As at November 2011, the Authority forecast an overspend on its Budget of £7.393m (3.4%). The main reasons for the projected overspend were the continued demand on services and cost pressures in looking after vulnerable children across the Borough; one off property costs relating to the continued rationalisation of the Council's asset portfolio to drive future efficiencies; and the extended timetable for realising the full forecast management and business support savings. The Authority currently estimates that another £20m in savings will need to be achieved during 2012/13 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures in Children and Young People's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.	Rotherham's Net Revenue Budget for 2011/12 was £219.6 million. Actual spending was £217.6 million, resulting in an underspend of £2 million. This was due to savings, predominantly in Adult Social Services and Central & Other Services, which were able to be used to off-set the £4.1 million overspend in Children & Young Peoples Services. The underspend in Adult Services was mainly due to additional income being received in the last quarter of the financial year in respect of support for the winter period and additional funding for Carers. The underspend on Central & Other Services was achieved through use of Council earmarked reserves, the Council contingency budget and the delivery of accounting opportunities. As part of the revenue budget for 2012/13, savings of £18.3 million have been outlined. As well as directorates putting forward budget saving proposals, there are specific Council wide savings proposed. These include a Council wide staff saving target, not paying staff increments for a second year, and restricting non-pay budgets. The Authority is reviewing the savings requirements for 2013/14 in preparation for the 2013/14 budget setting process. The Authority is currently expecting a minimum savings requirement of £14.1 million.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
Code Changes	The 2011/12 Code includes a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage assets include historical buildings, museum and gallery collections and works of art. The 2011/12 Code also clarifies requirements in a number of areas where ambiguity was identified in the 2010/11 Code. The Authority needs to review and appropriately address these changes in its 2011/12 financial statements.	There has been on-going discussions between the Authority and KPMG regarding the requirement in the 2011/12 Code in respect of heritage assets. The Authority has been able to justify its decision to not obtain valuations for the 2011/12 financial statements on the grounds the benefits of such an exercise are outweighed by the costs. The 2011/12 Code allows this position. The Authority has also provided a plan for obtaining valuations for heritage assets for the 2012/13 financial statements that we are satisfied with. The Authority has considered other changes in the 2011/12 Code and has appropriately reflected them in the accounts.

Accounts production and audit process

The accounts and supporting working papers were of high quality

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has produced a Statement of Accounts to a good standard as in previous years.
Completeness of draft accounts	In accordance with statutory requirements, the Authority published its unaudited Statement of Account by 30 June 2012. The Authority have made a number of presentational changes as a result of our review however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	Our *Prepared by Client List,* which we issued in April, set out our working paper requirements for the audit. Financial Services provided, or were able to provide on request, working papers which fully addressed our line of enquiry.
Response to audit queries	Officers provided timely responses to ad hoc requests and queries which we raised throughout the audit without exception.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Rotherham Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to Financial Services, which is reproduced in Appendix 3. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2011/12 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have raised one recommendation an this can be seen in Appendix 1.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We reported our risk assessment in our Interim Audit Report 2011/12.

The following pages includes further details on our specific risk-based work.

Page 20

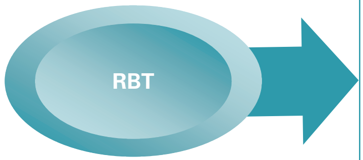
Specific VFM risks

We have now concluded our specific work in relation to the residual risks we set out in our Interim Audit Report 2011/12.

In our Interim Audit Report 2011/12 we identified the residual audit risks for our VFM conclusion, and set out our preliminary assessment of these with reference to the relevant work by the Authority, the Audit Commission, other inspectorates and review agencies.

We concluded that we needed to carry out additional work for some of these risks and this work is now complete.

The outcome of this work is set out below.

Key VFM risk	Preliminary assessment	Key findings of our additional work
	The Authority is seeking to end its partnership with BT and delivery of transactional services in RBT. There are significant initial costs and potential future savings and opportunities from such a change. Given the scale of costs and potential savings there is an impact on value for money. We will review the Authority's value for money analysis and considerations of the proposed changes. If we identify any residual risks we will review those prior to issuing our VFM conclusion.	In taking its decision the Authority: • considered the difficulties in pursuing shared service arrangements with other local authorities whilst it was part of RBT; • considered the greater control on future cost savings; • financially modelled the likely financial impact of ending the agreement; • negotiated a financial settlement with BT; and • considered ongoing performance issues. Overall the Authority exercised the expected financial and risk considerations in taking its decision.

Specific VFM risks

We have now concluded our specific work in relation to the residual risks we set out in our Interim Audit Report 2011/12.

Key VFM risk	Preliminary assessment	Key findings of our additional work
	The Authority's Joint Venture company, Digital Region Limited, has significant liabilities that the Authority (and other members of the joint venture arrangement) would need to fund if Digital Region Ltd ceased trading. We will review the Authority's value for money arrangements in managing the potential issues concerning Digital Region Ltd.	In March 2012, a decision was taken to re-procure the Digital Region services. We have reviewed the in year reporting of this decision within the Authority and are satisfied it has been reported appropriately, reflected in the Authority's risk management processes and within the financial statements. Overall the Authority exercised the expected financial and risk considerations in taking its decision.

Page 22

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up this recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	The Joint Venture partners decided in March 2012, that the Digital Region services should be re-procured. This process is now ongoing. The Authority should consider the knowledge and experience of working with Digital Region Ltd and use this in taking this project forward with its partners.	Agreed. Strategic Director of Resources. March 2013.

Page 23

Appendix 2: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Rotherham Metropolitan Borough Council for the financial year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Rotherham Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Rotherham Metropolitan Borough Council ("the Authority") for the year ended 31 March 2012,B for the purpose of expressing an opinion:

as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

•give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and
•have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

2, The financial statements have been prepared on a going concern basis.

3. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

4. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.
Information provided

5. The Authority has provided you with:

•access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
•additional information that you have requested from the Authority for the purpose of the audit; and
•unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

The Authority has provided you with all information in relation to Digital Region Ltd that is relevant to the preparation of the financial statements, such as records, documentation and other matters it is aware of. All transactions in relation to Digital Region Ltd have been recorded in the financial statements.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.J

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

8. The Authority has disclosed to you all information in relation to:
(a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
•management;
•employees who have significant roles in internal control; or
•others where the fraud could have a material effect on the financial statements; and
(b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:
•are statutory, contractual or implicit in the employer's actions;
•arise in the UK and the Republic of Ireland or overseas;
•are funded or unfunded; and
•are approved or unapproved,
•have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on *[date]*.

Yours faithfully,

Councillor Sangster - Chair of the Audit Committee

Andrew Bedford – Strategic Director of Resources cutting through complexity™

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2011/12

Contents **Page Number**

Contents	Page Number
Statement of Responsibilities for the Statement of Accounts	1
Foreword by the Strategic Director of Resources	2
Main Financial Statements and Notes to the Core Financial Statements	10
Comprehensive Income and Expenditure Statement	11
Movement in Reserves Statement	12
Balance Sheet	14
Cash Flow Statement	15
Notes to the Core Financial Statements	16
Housing Revenue Account (HRA) Income and Expenditure Account	96
Movement on the HRA Statement	97
Collection Fund	107
Metropolitan Debt Administration	110
Accounting Policies	113
Accounting Standards not yet adopted	133
Critical Judgements in applying Accounting Policies	133
Assumptions made about future and other major sources of estimations	134
Additional Information	135
Certification	136
Glossary	138

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 Resources;
- 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 26th September 2012.

Signed on behalf of Rotherham MBC

Signed …………………………………………………………..

Audit Committee Chair

Date…………26th September 2012…………………………..

The Strategic Director of Resources Responsibilities

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

In preparing this Statement of Accounts, the Strategic Director of Resources 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 Resources 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 Resources 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 2012 and its income and expenditure for the year then ended.

Signed………………………………………………………….

AA Bedford, BA (Hons), CPFA

Date…………26th September 2012………..………............

FOREWORD BY THE STRATEGIC DIRECTOR OF RESOURCES

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2012 and shows its overall financial position at the end of that period.

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

The principle 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 Policies'. These accounting policies are kept under review and updated where appropriate to take account of changes in accounting practice adopted within the Code. There are no changes of significance in 2011/12 (Page 113).

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 Policies** (Page 113) – 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. The accounting policies that have been applied in preparing the Council's 2011/12 financial statements are detailed on Page 113.
- **Financial Statements and related disclosure notes** – which are explained further below

In previous years, the Statement of Accounts has included Group accounts. Following a change in the group's composition as a result of the re-integration of the housing management function, group accounts are no longer required.

For the sake of clarity, the Accounts and Audit Regulations 2011 has clarified that the Annual Governance Statement does not form part of the Statement of Accounts although there is an expectation that it is published alongside the Statement of Accounts. The Council follows this practice.

Financial Statements

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

The Authority's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 11) – The Comprehensive Income and Expenditure Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

- **Movement in Reserves Statement (MIRS)** (Page 12) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable reserves are not available for use.

- **The Cash Flow Statement** (Page 15) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 96) – This Account summarises the income and expenditure 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 107) – 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.

The Authority's financial position is reported through the:

- **Balance Sheet** (Page 14) - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable in the same way as in the MIRS.

The Council's Financial Statements also include the Metropolitan Debt Administration (Page 110) statement as 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 an average rate with which to charge the four district councils and joint boards within the South Yorkshire area.

2 General Fund Services

Rotherham Metropolitan Borough Council set a Net Revenue Budget (including Schools' Budgets) of £397.749m for 2011/12, the actual out-turn is £391.214m, an underspend of £6.535m, including an increase of £4.531m in schools' balances.

The Council's Revenue Budget has been continuously monitored during the financial year and reports were regularly presented to Members and senior management. Where necessary appropriate action was taken to ensure that, as far as was possible, the Council achieved a positive budget out-turn position.

Overall net expenditure in 2011/12 was £6.535m less than the approved Budget. The principal reasons for this variation are set out below:

- An increase of £4.531m in schools' delegated balances.
- Underspends against Directorates' cash-limited budgets:
    - Environment and Development Services - £0.993m below budget. Underspending on Regeneration, planning and cultural services (£0.702m), Business Support (£0.1m), and Streetpride (£0.179m);
    - Neighbourhoods and Adult Services underspent its budget by £3.052m. Of this, £2.543m is attributable to Adult Services where there was principally an underspend on Older People's Services (£0.901m), Learning disability services

(£0.552m), Physical and Sensory Disabilities (£0.340m), Supporting People (£0.274m), Adult Safeguarding (£0.149m) and Services for carers (£0.326m). Neighbourhood services spending was £0.509m below budget as a result of savings across most service areas;

- Resources - The £0.847m underspend was in large part due to underspending in respect of Financial Services (0.495m) and Asset Management (£0.334m); and

- Central and Other Services – £1.228m below budget through the delivery of savings that more than offset corporate pressures.

By achieving these positive Directorate outturns, the Council is in a position to more than offset the consistently identified significant financial pressures in relation to social care for children.

Excluding the position on schools, there is a net underspend of £2.004m on the Council's Net Revenue Budget. This reflects the Council's continued prudent and sustainable approach to managing its finances.

2.1 Level of Reserves

Reserves are amounts set aside to meet items of future expenditure. The Council holds both revenue and capital reserves. The majority of the Council's reserves are held to meet specific needs or are ring-fenced to particular services (including Schools and Housing Revenue Account balances). The Council also holds a level of uncommitted reserves that could be drawn on, if required, to support its Revenue Budget and to safeguard the Council against known potential financial risks plus any other unforeseen risks.

In line with recommended best practice both the level of general reserves and the level and purpose of earmarked reserves have been reviewed and risk assessed as part of the preparation of the Council's 2012/13 Revenue Budget.

As at 31 March 2012 the Council has £9.594m available in General Fund Reserves. This is equivalent to 4.4% of the Council's 2012/13 Net Revenue Budget and is deemed to be a prudent level, which will allow the Council to address any issues and pressures that may arise during the coming financial year. The Council also holds £23.645m in earmarked General Fund reserves set aside for specific purposes (excluding £0.295m Schools' Declared Savings and £6.053m Revenue Grants Reserve) – see Note 2 for further detail.

Within General Fund balances and Reserves at 31 March 2012, there is a sum of £7.654m relating to School Delegated Budget arrangements as follows:

2010/11 £m		2011/12 £m
0.324 2.828	Schools' Declared Savings (see Note 2 Earmarked Reserves) Unspent Schools' Budgets (see Note 38 Usable Reserves)	0.295 7.359
3.152	Total	7.654

2.2 Housing Revenue Account Income and Expenditure Account

For 2011/12, the Income and Expenditure Account reflects an accounting deficit on HRA services of £6.692m, prior to adjustments to equate this to the actual HRA increase for the year of £5.555m. 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 any deficit needing to be funded by HRA balances. The sum of £12.698m has been credited to the HRA Statement of Movement on HRA Balance to give the overall increase in the HRA balance of £5.555m.

The £12.698m net credit in the Statement of Movement on the HRA Balance comprises adjustments for the following: Gain/loss on sale of Non Current Assets, capital expenditure funded directly from revenue, an adjustment for depreciation being higher 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:

- Supervision and Management costs were less than anticipated (£1.511m)
- A reduction in actual interest payable by the HRA (£0.445m)
- An increase in rental income (£0.205m)
- An increase in charges for services and facilities (£0.339m)
- An additional revenue contribution was made to support capital expenditure (RCCO) of (£0.250m)
- Additional investment into the Repairs and Maintenance programme of (£1.039m)
- An increase in the Subsidy payable to the Government (£0.539m).

Central Government has abolished the current HRA subsidy system. From April 2012 it has been replaced with a devolved financial system (Self Financing) which involves a one-off reallocation of debt based on a valuation of the Council's housing stock. Under Self Financing the Council is entitled to retain all future net rental income from its housing stock to service this newly allocated level of housing debt and develop its own integrated asset and debt management strategy for the HRA.

Under the HRA subsidy system if a council's rental income falls short of its spending needs, the Government provides subsidy to make up the shortfall. Self Financing means that the Council will not receive subsidy and needs to maintain a level of HRA reserves in order to fund all expenditure relating to the management and maintenance of housing stock and mitigate any potential risks the Council now faces.

3 Capital Spend and Borrowing in 2011/12

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 2011/12 amounted to:

Capital expenditure excluding PFI and Finance Lease liabilities	£ 93.983m
PFI and Finance Lease Assets acquired	£ 29.098m
Total Capital Expenditure	£123.081m

(a) Analysis of capital expenditure (excluding PFI and Finance Lease Assets) by Directorate is as follows:

	2011/12 £m
Children & Young People Services	10.048
Neighbourhoods	
- Housing Revenue Account Element	33.510
- General Fund Element	3.004
Adult Social Services	0.173
Environment & Development Services	9.922
Culture and Leisure	1.055
Resources	36.271
Total	93.983

(b) Financing of this expenditure is analysed below:

	2011/12 £m
Borrowing need	48.145
Major Repairs Allowance (MRA)	10.464
Grants & Other Contributions	25.509
Capital Receipts	0.036
Internal Funds (e.g. Reserves, etc)	9.829
Total	93.983

(c) Major items of capital expenditure incurred including PFI and Finance Lease Assets are as follows:

	2011/12 £m
Non Housing	
Carriageway Resurfacing	2.243
Rawmarsh CSC	4.931
Riverside House	12.270
Digital Region	8.144
Severance-Statutory Redundancy	1.096
Mortuary Capital Payments	2.000
RCAT Loan	4.971
Riverside House Finance Lease	28.965
RBT Asset Purchase	1.977
Housing Investment Programme	
New Build - Phase 2 - Albert Road	1.259
New Build-Phase 3-Rother View	2.869
New Build-Phase 3-Albany Road	1.092
HRA Self Financing 2012	15.188
Structural Works Non-Trad’s	1.057
Physically Handicapped Conversions / Improvements (Public)	1.281
Replace Boilers Cont. Asbestos	1.110
Voids Programme	2.154
Refurbishment of Council Stock	4.064
Physically Handicapped Private Adaptations	1.773

(d) The Council’s borrowing activities based upon principal amounts during 2011/12 are summarised as follows:

2010/11 £m		2011/12 £m
397.636	Balance as at 1 April	420.636
	Plus:	
40.000	New long-term borrowing	50.904
(17.000)	Re-classified as temporary borrowing (repayable in the following financial year)	(7.138)
420.636	Balance as at 31 March	464.402

The Council's operational boundary for external debt for the year was £660.661m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £790.334m.

Temporary Borrowing

2010/11 £m		2011/12 £m
15.000	Balance as at 1 April	22.000
	Plus:	
281.020	New temporary borrowing	366.065
17.000	Re-classified from long-term borrowing	7.138
313.020		395.203
(276.020)	Repayments in the year	(347.965)
(15.000)	Repayment of prior year's reclassified long-term borrowing	(17.000)
(291.020)		(364.965)
22.000	Balance as at 31 March	30.238

Further detail of the Council's long-term liabilities and short-term borrowing is provided in Note 25.

4 Arms Length Management Organisation (2010 Rotherham Ltd)

The Council appointed 2010 Rotherham Limited to manage, repair and improve the Council's housing stock with effect from 19 May 2005.

During 2010/11, 2010 Rotherham Limited completed the delivery of the Decent Homes programme and externalisation of the Property Services repair and maintenance activities. Following consultation with tenants, the Council decided on 23 February 2011, to bring the management of Council Housing back under the direct control of the Council. As a consequence, the company elected to cease trading when the management agreement expired on 30 June 2011 and was formally wound up on a voluntary basis on 15 May 2012.

Under the terms of the management agreement, the assets and liabilities of 2010 Rotherham Limited were transferred to the Council during the course of the company being wound up. This has resulted in the following items being transferred:

- Net trading liabilities of the company - £3.152m
- FRS 17 pensions liability - £2.654m

Full provision was made in the Council's 2010/11 accounts for these liabilities.

5 RBT (Connect) Ltd

On 17 April 2003 the Authority signed a strategic partnership with BT plc, forming a joint venture company, RBT (Connect) Limited which has been central to the Authority's efforts to improve the quality of service delivery to the public. The contract was scheduled for completion in March 2015.

On 8 June 2011, the Council took a decision to seek early completion of the partnership and conclude the work of the highly successful joint venture. This decision was taken to enable the Council to put itself in a strong position to take advantage of new policy developments, such as the drive towards shared services with other councils, which can be pursued more easily outside of the current structure and will result in future additional net annual savings.

The Council has now completed the work with BT to finalise the detail of the transition arrangements, with access to services unchanged and customers unaffected. The contract was formally terminated on the 31st January 2012, and seconded staff returned to the Council.

6 Private Finance Initiatives

Waste PFI

The Council reached Financial Close on a joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) on 30th March 2012. The contract will provide residual waste facilities for the 3 boroughs, and is due to become operational in July 2015. The Councils have been jointly awarded £77.4m PFI credits for this project. The contract will assist the Councils in achieving their overall 50% recycling targets.

7 Pensions

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through its participation in two separate pension schemes relating to Teachers and Other Employees. Teachers employed by the Council are members of the scheme, administered nationally by the Teachers' Pension Agency (TPA) and eligible members of the Local Government Superannuation Scheme (LGSS) employed by the Council are covered by the South Yorkshire Pensions Authority.

These Statements incorporate pensions details in respect of the LGSS and South Yorkshire Pensions Authority determined in accordance with the requirements of FRS17/IAS19 Retirement Benefits, the purpose of which is to ensure that accounting statements reflect the value of the assets and liabilities underlying the Council's obligations in respect of retirement benefits. The figures include a snapshot of the Council's estimated financial position in relation to the scheme at a particular point in time undertaken by the South Yorkshire Pensions Authority's Actuary. The position at 31 March 2012 is disclosed in Note 19.

As in 2010/11, the actuarial assessment has taken into account the change to using the Consumer Price Index (CPI) rather then the Retail Price Index (RPI) to up-rate the Public Service Pensions annually which was announced in 2010.

The recent valuation exercise for the purposes of FRS17/IAS19 was undertaken in addition to a triennial actuarial valuation of the fund as at 31 March 2010 which reviewed the financial position of the Fund and determined appropriate employer contributions for the future. This valuation concluded that that the Fund was in deficit with a funding level of 79%. As the LGSS Regulations require that the level of contributions is sufficient to maintain the solvency of the Fund, this deficit will be recovered through additional employer contributions over 25 years. The triennial valuation assessed the cost of future service accrual for employers as being 12% (previously 11.6%). The next revaluation of the fund will be undertaken as at 31 March 2013 when employer contributions will be reassessed.

Employee contributions are payable in addition to employer contributions and these are currently range between 5.5% and 7.5% with an average of 6.5%.Negotiations have been in progress with respect to the proposals for changes to the benefits provided by the pensions scheme and the pattern of employee contributions. These proposals are now the subject of consultation with employers and trades unions. The Government has confirmed that should the outcome of these consultations be favourable a statutory consultation would be undertaken in the Autumn with respect to implementing these proposals with effect from 1st April 2014.

8 Unusual and material charges or credits to the accounts

HRA self financing settlement

As part of the transition from the subsidy system to self financing, the Council has been required to make a one off payment of £15.188m to CLG representing the difference between the valuation of the Council's housing stock under self financing and the assumed level of debt on which subsidy entitlement is determined. This payment has, in accordance with regulations, been treated as capital expenditure and funded by borrowing. There are no revenue implications. It is shown separately as an exceptional item on the face of the HRA.

9 Outlook

Following the publication of the Autumn 2010 Spending Review (SR) for 2011/12 to 2014/15 it became clear that local authorities would be facing a significant ongoing financial challenge. As part of plans to tackle the fiscal deficit substantial real term reductions of 28% in central government support for local authorities were outlined.

The implications of SR 2010 became clear with the 2 year (2011/12 and 2012/13) Finance Settlement which included a reduction in the Council's government grant funding of 18.70% over the 2 years. Rotherham's reduction, was greater than both the national and regional averages but was in line with the average for Metropolitan District Councils.

This significant and swift withdrawal of government grant support resulted in the Council facing a resources gap of £30.3m in 2011/12 followed by a further £20.4m in 2012/13. This is in addition to the £10m funding that was withdrawn in 2010/11 as a consequence of the Coalition's Emergency Budget in June 2010.

The scale of the reductions and the timescale available to achieve them were unprecedented, however the two-year settlement allowed for a greater degree of certainty in preparing resource projections and confirmed the validity of the Council's approach to its budget. The focus has been on the customers served by the Council and the communities and businesses of Rotherham - not the Council's organisational structure. As a first course of action the Council has sought to streamline its management and administration reducing as far as is possible back office costs. In addition areas where improved ways of working can increase the efficiency and effectiveness of council operations have continued to be identified. However, the scale of the budget deficit and the rapid reduction in grant support have required that difficult choices were made.

The calm and measured approach taken by the Council has allowed services for those most in need to be protected and has enabled the Council to continue to focus on service transformation ensuring services continue to deliver to a high standard and are aligned with the Community Strategy and the Corporate Plan priorities and objectives.

Going forward the Government has undertaken a fundamental review of how local government is financed, including localisation of the business rates and of support for council tax benefits. Other elements of the reform include; technical reforms of the Council Tax, the use of Tax Increment Funding (TIF) and the creation of Enterprise Zones. The proposals are set out in the Local Government Finance Bill which is currently progressing through Parliament and details are currently being released. It is anticipated that the changes will be in place for April 2013.

Again Local Government is faced with significant changes in its funding over a relatively short period which it is anticipated will continue the pressure on resources in coming financial years. In addition the Council is facing spending and cost pressures as a result of other factors including inflation, demographic changes and changes in services. It is clear that a period of austerity facing the Council and Local Government will continue.

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

Main Financial Statements and Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services. The amount to be met from local taxpayers and housing rents is shown in the Movement in Reserves Statement.

The Council did not acquire any new operations in either 2010/11 or 2011/12. All of the Council's income and expenditure relates to continuing operations.

2010/11 comparatives have been restated because Cultural, Environmental and Planning Services were combined in a single heading in 2010/11 but have been disaggregated into three separate headings in 2011/12 due to changes to the Code.

As Restated Gross Expenditure £000	As Restated Gross Income £000	As Restated 2010/11 Net Cost £000		Gross Expenditure £000	Gross Income £000	2011/12 Net Cost £000	Notes
121,109	(32,576)	88,533	Adult Social Care	119,671	(37,397)	82,274	
2,879	(778)	2,101	Central Services to the Public	5,260	(1,034)	4,226	
337,281	(258,305)	78,976	Education and Children Services	312,189	(235,090)	77,099	
28,530	(5,225)	23,305	Cultural and Related Services	16,894	(4,638)	12,256	
27,766	(6,010)	21,756	Environment and Regulatory Services	29,243	(4,979)	24,264	
16,758	(9,863)	6,895	Planning Services	23,000	(5,546)	17,454	
38,015	(3,821)	34,194	Highways and Transport Services	35,870	(2,270)	33,600	
278,292	(76,607)	201,685	Local Authority Housing (HRA)	78,450	(80,548)	(2,098)	
112,329	(110,023)	2,306	Other Housing Services	116,597	(106,014)	10,583	
6,743	(1,394)	5,349	Corporate and Democratic Core	8,216	(2,150)	6,066	
(37,962)	(53)	(38,015)	Non Distributed Costs	1,673	(37)	1,636	
931,740	(504,655)	427,085	Net Cost of Service	747,063	(479,703)	267,360	
23,555	0	23,555	Other Operating Expenditure	4,797	0	4,797	4
46,137	(1,978)	44,159	Financing and Investment Income and Expenditure	54,215	(3,113)	51,102	5
0	(284,280)	(284,280)	Taxation & Non-Specific Grant Income	0	(250,473)	(250,473)	7
1,001,432	(790,913)	210,519	**(Surplus) or Deficit on Provision of Services**	806,075	(733,289)	72,786	
		(949)	(Surplus) or Deficit on Revaluation of Non Current Assets			(5,749)	39b
		(804)	Write down of Met Debt			(884)	39a
		(34,102)	Actuarial (Gains) or Losses on Pension Assets & Liabilities			47,521	19
		(35,855)	**Other Comprehensive Income & Expenditure**			40,888	
		174,664	**Total Comprehensive Income & Expenditure**			113,674	

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are not available for use and are detailed in Note 39). The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The "adjustments between accounting basis and funding basis under regulations" line represents the statutory adjustments required to arrive at the amounts to be charged to the General Fund Balance for Local Tax purposes. The 'net increase /decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

2010/11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 April 2010	**8,878**	**39,007**	**6,890**	**0**	**4,001**	**2,195**	**22,439**	**83,410**	**440,929**	**524,339**	
Movement in reserves during the year											
Surplus or (deficit) on the provision of services	(587)	0	(209,932)	0	0	0	0	(210,519)	0	(210,519)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	35,855	35,855	
Total Comprehensive Income and Expenditure	(587)	0	(209,932)	0	0	0	0	(210,519)	35,855	(174,664)	
Adjustments between accounting basis & funding basis under regulations	(2,507)	0	206,079	0	(1,215)	(2,195)	2,902	203,064	(203,064)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	**(3,094)**	**0**	**(3,853)**	**0**	**(1,215)**	**(2,195)**	**2,902**	**(7,455)**	**(167,209)**	**(174,664)**	
Transfers (to) / from Earmarked Reserves	5,446	(5,446)	(265)	265	0	0	0	0	0	0	2
Increase / (Decrease) in Year	**2,352**	**(5,446)**	**(4,118)**	**265**	**(1,215)**	**(2,195)**	**2,902**	**(7,455)**	**(167,209)**	**(174,664)**	
Increase / (Decrease) in Year consists of:											
Other transfers	123										
Outturn	2,229										
At 31 March 2011	**11,230**	**33,561**	**2,772**	**265**	**2,786**	**0**	**25,341**	**75,955**	**273,720**	**349,675**	

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 April 2011	**11,230**	**33,561**	**2,772**	**265**	**2,786**	**0**	**25,341**	**75,955**	**273,720**	**349,675**	
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(66,094)	0	(6,692)	0	0	0	0	(72,786)	0	(72,786)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(40,888)	(40,888)	
Total Comprehensive Income and Expenditure	(66,094)	0	(6,692)	0	0	0	0	(72,786)	(40,888)	(113,674)	
Adjustments between accounting basis & funding basis under regulations	68,249	0	12,698	0	2,642	2,657	(5,261)	80,985	(80,985)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	**2,155**	**0**	**6,006**	**0**	**2,642**	**2,657**	**(5,261)**	**8,199**	**(121,873)**	**(113,674)**	
Add: Transfers (to)/from Earmarked Reserves	3,568	(3,568)	(451)	451	0	0	0	0	0	0	2
Increase / (Decrease) in Year	**5,723**	**(3,568)**	**5,555**	**451**	**2,642**	**2,657**	**(5,261)**	**8,199**	**(121,873)**	**(113,674)**	
Increase / (Decrease) in Year consists of: Other transfers Outturn	 (812) 6,535										
At 31 March 2012	**16,953**	**29,993**	**8,327**	**716**	**5,428**	**2,657**	**20,080**	**84,154**	**151,847**	**236,001**	

Balance Sheet

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

31 March 2011 £000		31 March 2012 £000	Notes
1,173,899	Property, Plant and Equipment	1,179,567	20
46,443	Investment Property	33,736	21
156	Intangible Assets	265	22
1,760	Long Term Investments	1,318	31
999	Long Term Debtors	6,567	34
1,223,257	**Long Term Assets**	1,221,453	
776	Short Term Investments	342	25
1,142	Assets Held For Sale	2,107	23
538	Inventories (Stock)	566	32
39,550	Short Term Debtors	28,735	34
19,669	Cash and Cash Equivalents	20,300	35
61,675	**Current Assets**	52,050	
(8,457)	Bank Overdraft	(22,314)	35
(26,749)	Short Term Borrowing	(34,770)	25
(93,876)	Short Term Creditors	(60,951)	36
(2,437)	Provisions	(7,694)	37
(131,519)	**Current Liabilities**	(125,729)	
(14,396)	Provisions	(9,792)	37
0	Long Term Creditors	(4,741)	36
(420,636)	Long Term Borrowing	(464,402)	25
(368,240)	Other Long Term Liabilities	(432,311)	51
(466)	Capital Grants Receipts in Advance	(527)	8
(803,738)	**Long Term Liabilities**	(911,773)	
349,675	**Net Assets**	236,001	
(75,955)	Usable Reserves	(84,154)	38
(273,720)	Unusable Reserves	(151,847)	39
(349,675)	**Total Reserves**	(236,001)	

Cash Flow Statement

	As Restated 2010/11 £000	2011/12 £000	Notes
Net (surplus) or deficit on the provision of services	210,519	72,786	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(235,940)	(121,154)	
Net cash flows from Operating Activities	(25,421)	(48,368)	40
Investing Activities	35,912	94,010	41
Financing Activities	(24,606)	(32,416)	42
Net (increase) or decrease in cash and cash equivalents	(14,115)	13,226	
Cash and cash equivalents at the beginning of the reporting period	(2,903)	11,212	35
Cash and cash equivalents at the end of the reporting period	11,212	(2,014)	35

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Note 1 Adjustments between Accounting Basis and Funding Basis

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

2010/11	Movements in Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	48,477	217,819	0	0	0	(266,296)
Amortisation of intangible assets	449	0	0	0	0	(449)
Capital grants and contributions applied	(33,769)	(6,568)	0	0	2,902	37,435
Revenue expenditure funded from capital under statute	9,288	48	0	0	0	(9,336)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	18,335	150	4,002	0	0	(22,487)
Statutory provision for the financing of capital investment	(10,256)	0	0	0	0	10,256
Capital expenditure charged against the General Fund and HRA balances	0	(4,030)	0	0	0	4,030
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,382)	0	0	4,382
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	842	0	(842)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	7	0	0	(7)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(868)	0	868	0	0
HRA depreciation to capital adjustment account	0	0	0	12,399	0	(12,399)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(15,462)	0	15,462
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(685)	(96)	0	0	0	781

Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 19)	(8,271)	(92)	0	0	0	8,363
Employer's pension contributions and direct payments to pensioners payable in the year	(25,004)	(279)	0	0	0	25,283
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(312)	0	0	0	0	312
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,601)	(5)	0	0	0	1,606
Total Adjustments	**(2,507)**	**206,079**	**(1,215)**	**(2,195)**	**2,902**	**(203,064)**

2011/12	Movements in Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	86,542	2,155	0	0	0	(88,697)
Amortisation of intangible assets	74	0	0	0	0	(74)
Capital grants and contributions applied	(17,859)	(2,389)	0	0	(5,261)	25,509
Revenue expenditure funded from capital under statute	9,241	15,188	0	0	0	(24,429)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	923	(655)	3,344	0	0	(3,612)
Statutory provision for the financing of capital investment	(10,078)	0	0	0	0	10,078
Capital expenditure charged against the General Fund and HRA balances	(172)	(1,050)	0	0	0	1,222
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(36)	0	0	36
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	672	0	(672)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	6	0	0	(6)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(675)	0	675	0	0
HRA depreciation to capital adjustment account	0	0	0	12,445	0	(12,445)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(10,464)	0	10,464
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(51)	0	0	0	104

Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 19)	24,089	1,039	0	0	0	(25,128)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,465)	(947)	0	0	0	25,412
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)	0	0	0	0	291
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(374)	83	0	0	0	291
Total Adjustments	**68,249**	**12,698**	**2,642**	**2,656**	**(5,261)**	**(80,984)**

Note 2 Transfers to and from Earmarked Reserves

General Fund	Bal at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Movements between General Fund and Earmarked Reserves £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Bal at 31 March 2012 £000
Insurance	987	(100)	596	1,483	(72)	(714)	0	697
Invest to Save	148	(180)	182	150	(150)	0	0	0
Statutory Costs	200	(83)	0	117	(114)	(3)	0	0
Commutation Adjustment	8,752	(517)	159	8,394	0	0	0	8,394
Revenue Grants Reserve	7,402	(6,724)	7,386	8,064	1,411	(8,226)	4,804	6,053
Aston CSC Repair / Maint Fund	0	0	0	0	0	0	40	40
Riverside House Rep/Maint Fund	0	0	0	0	0	0	26	26
EMS Implementation Fund	0	0	0	0	0	0	139	139
Energy Conservation (LAEF)	539	(420)	247	366	(13)	(58)	53	348
Museum	49	(4)	9	54	(21)	0	0	33
RERF	181	0	100	281	(111)	(70)	0	100
Maintenance of Buildings	410	0	149	559	(350)	(175)	0	34
Winter Conditions	133	0	117	250	(250)	0	0	0
Schools Maintenance Programme	0	0	73	73	(73)	0	0	0
Managed Workspace R&R	0	0	144	144	(69)	0	0	75
PFI – Leisure	308	(220)	0	88	0	0	120	208
Landfill Allowance Trading Scheme	0	0	305	305	0	(305)	0	0
CENT ICT Refresh	74	(74)	0	0	0	0	0	0
PFI - Schools	18,925	(6,244)	0	12,681	0	(1,285)	2,145	13,541
Housing Improvement Programme	30	0	0	30	(11)	(9)	0	10
Dispersed & Furnished Units	4	0	11	15	0	(15)	0	0
Equity Loan Scheme Reserve	0	0	22	22	(22)	0	0	0
Asylum Seekers	460	(387)	88	161	(161)	0	0	0
Schools Declared Savings	405	(82)	1	324	0	(30)	1	295
Total	**39,007**	**(15,035)**	**9,589**	**33,561**	**(6)**	**(10,890)**	**7,328**	**29,993**
Housing Revenue Account								
Furnished Homes	0	0	265	265	0	0	451	716
Total	**0**	**0**	**265**	**265**	**0**	**0**	**451**	**716**
	39,007	**(15,035)**	**9,854**	**33,826**	**(6)**	**(10,890)**	**7,779**	**30,709**

Earmarked General Fund Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12. A review of all earmarked reserves was carried out during 2011/12 and as a consequence of this a number of reserves were closed and transferred to general balances or converted to trading accounts. A brief description of the purpose of each remaining reserve is provided as follows:

(i) Insurance

That part classified as a Reserve (as distinct from a Provision – (see Note 37) is earmarked to meet future potential and contingent liabilities.

(ii) Commutation Adjustment

This reserve was created to provide funding in future years when the commutation adjustment becomes a cost to the General Fund.

(iii) Revenue Grant Reserve

The Revenue Grant Reserve represents revenue grants which have been recognised within income as terms and conditions have been met which are fully committed to meet future spending plans.

(iv) Local Authority Energy Fund (LAEF)

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.

(v) Museum

This reserve was created principally for the Rotherham Museum to enable the purchase of exhibits that come onto the market on an irregular basis.

(vi) Rotherham Economic Regeneration Fund (RERF)

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.

(vii) 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.

(viii) Managed Workspace R&R

Set up to defray the cost of a new programme of maintenance on the managed workspace buildings and a programme of equipment renewal. The nature of the funding of these buildings excludes them from the programme of maintenance for other council buildings, creating the necessity for a separate reserve.

(ix) PFI – 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. As the PFI revenue grant support is fixed, the Council's budgetary contributions as a proportion of income increase over time.

(x) 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.

(xi) 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.

(xii) Housing Improvement Programme (HIP)

This reserve has been created to support HIP's role in enabling decent affordable housing in the private sector. It covers two schemes, the Works in Default Scheme and the Dispersed and Furnished Units Scheme.

Under the Works in Default scheme Environmental Health Officers may require private landlords to do improvements to their properties. An amount of £9,554 has been set aside in the event that landlords default in reimbursing the Council for the cost of the improvement works.

(xiii) Dispersed and Furnished Units

This reserve was cleared in 2011/12 and is no longer in use. The scheme will continue in 2012/13 but will be treated as a trading account.

(xiv) Aston CSC Maintenance Fund

This reserve has been created for agreed cyclical redecoration and major repair with NHS Rotherham.

(xv) Riverside Maintenance Fund

This reserve has been created for agreed cyclical lifecycle maintenance, major repair and redecoration of the building, in line with the Council's obligations in respect of the lease agreement.

(xvi) EMS Implementation Fund

This reserve has been created to provide funding for a temporary post of Carbon Reduction Officer to work towards reducing CO2 emissions.

Note 3 Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made within budget reports in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

Income and expenditure of the Council's Directorates reported in the budget reports for the year

2011/12	CYPS £000	Schools £000	EDS £000	Neighbour hoods £000	Adults £000	Resources £000	Central £000	HRA £000	Total £000
Fees, charges & other service income	(43,157)	(10,228)	(39,540)	(4,891)	(38,244)	(46,349)	(23,197)	(69,222)	(274,828)
Government Grants	(33,471)	(174,949)	(1,066)	(1,358)	(8,095)	(104,747)	(18,069)	(13,126)	(354,881)
Total Income	**(76,628)**	**(185,177)**	**(40,606)**	**(6,249)**	**(46,339)**	**(151,096)**	**(41,266)**	**(82,348)**	**(629,709)**
Employee Expenses	46,296	143,316	23,117	4,408	32,281	24,491	(3,332)	6,210	276,787
Other Operating expenses	71,240	31,439	53,952	4,605	88,005	144,945	81,383	69,817	545,386
Central Dept. & Tech. Support	418	5,891	2,636	71	41	6,163	(918)	765	15,067
Total Operating Expenses	**117,954**	**180,646**	**79,705**	**9,084**	**120,327**	**175,599**	**77,133**	**76,792**	**837,240**
Revenue outturn	**41,326**	**(4,531)**	**39,099**	**2,835**	**73,988**	**24,503**	**35,867**	**(5,556)**	**207,531**
2010/11									
Fees, charges & other service income	(25,414)	(20,825)	(32,117)	(7,788)	(41,100)	(29,403)	(26,733)	(59,057)	(242,437)
Government Grants	(49,064)	(173,581)	(33,330)	(1,230)	(13,683)	(99,327)	(987)	(14,909)	(386,111)
Total Income	**(74,478)**	**(194,406)**	**(65,447)**	**(9,018)**	**(54,783)**	**(128,730)**	**(27,720)**	**(73,966)**	**(628,548)**
Employee Expenses	55,649	156,009	39,737	8,013	37,112	13,625	319	2,909	313,373
Other Operating expenses	64,949	31,681	67,524	5,044	88,974	124,318	53,324	74,415	510,229
Central Dept. & Tech. Support	362	6,636	5,658	72	44	10,091	197	760	23,820
Total Operating Expenses	**120,960**	**194,326**	**112,919**	**13,129**	**126,130**	**148,034**	**53,840**	**78,084**	**847,422**
Revenue outturn	**46,482**	**(80)**	**47,472**	**4,111**	**71,347**	**19,304**	**26,120**	**4,118**	**218,874**

Reconciliation of Directorate income and expenditure to Net Cost of Services reported in the Comprehensive Income and Expenditure Statement

	2010/11 £000	2011/12 £000
Net expenditure in the Directorate Analysis	218,874	207,531
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate analysis	(48,359)	(7,334)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	256,570	67,163
Cost of Services in Comprehensive Income and Expenditure Statement	427,085	267,360

Reconciliation of Directorate income and expenditure to subjective analysis of the Surplus or Deficit on the Provision of Services reported in the Comprehensive Income and Expenditure Statement

2010/11	Directorate Analysis £000	Amounts Not reported to Management £000	Amounts not included in I&E as Cost of Service £000	Allocation of Recharges £000	Cost of Services £000	Items shown below Cost of Service on I&E £000	Total £000
Fees, charges & other service income	(242,177)	0	72,314	(12,881)	(182,744)	0	(182,744)
Surplus on Trading Activities	0	0	0	0	0	(451)	(451)
Interest & Investment Income	(260)	0	260	0	0	(1,527)	(1,527)
Income from Council Tax	0	0	0	0	0	(96,075)	(96,075)
Government Grants & Contributions	(386,111)	0	64,201	0	(321,910)	(188,205)	(510,115)
Total Income	(628,548)	0	136,775	(12,881)	(504,654)	(286,258)	(790,912)
Employee expenses	313,373	(48,359)	(21,133)	0	243,881	13,107	256,988
Other service expenses	481,501	0	(73,268)	12,881	421,114	1,075	422,189
Depreciation, amortisation and impairments	0	0	266,744	0	266,744	0	266,744
Interest payments	31,799	0	(31,799)	0	0	31,799	31,799
Precepts and levies	2,264	0	(2,264)	0	0	4,384	4,384
Payments to Housing Capital receipts pool	0	0	0	0	0	842	842
Gain or loss on disposal of Non Current Assets	18,485	0	(18,485)	0	0	18,485	18,485
Total Expenditure	847,422	(48,359)	119,795	12,881	931,739	69,692	1,001,431
(Surplus) or Deficit on the provision of services	218,874	(48,359)	256,570	0	427,085	(216,566)	210,519

2011/12	Directorate Analysis	Amounts Not reported to Management	Amounts not included in I&E as Cost of Service	Allocation of Recharges	Cost of Services	Items shown below Cost of Service on I&E	Total

	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(274,531)	0	87,041	34,112	(153,378)	0	(153,378)
Surplus on Trading Activities	0	0	0	0	0	(1,901)	(1,901)
Interest & Investment Income	(297)	0	297	0	0	(1,211)	(1,211)
Income from Council Tax	0	0	0	0	0	(96,584)	(96,584)
Government Grants & Contributions	(354,881)	0	28,556	0	(326,325)	(153,890)	(480,215)
Total Income	(629,709)	0	115,894	34,112	(479,703)	(253,586)	(733,289)
Employee expenses	276,787	(7,334)	(21,542)	0	247,911	6,759	254,670
Other service expenses	523,618	0	(79,125)	(34,112)	410,381	12,589	422,970
Depreciation, amortisation and impairments	0	0	88,771	0	88,771	0	88,771
Interest payments	34,609	0	(34,609)	0	0	34,609	34,609
Precepts and levies	1,938	0	(1,938)	0	0	4,095	4,095
Payments to Housing Capital receipts pool	0	0	0	0	0	672	672
Gain or loss on disposal of Non Current Assets	288	0	(288)	0	0	288	288
Total Expenditure	837,240	(7,334)	(48,731)	(34,112)	747,063	59,012	806,075
(Surplus) or Deficit on the provision of services	207,531	(7,334)	67,163	0	267,360	(194,574)	72,786

Note 4 Other Operating Expenditure

2010/11 £000		2011/12 £000	Notes
2,120	Parish Council precepts	2,157	
2,265	Levies payable	1,938	
842	Payments to the Government Housing Capital Receipts Pool	672	
18,328	(Gain)/loss on disposal of non current assets	30	50
23,555	Total	4,797	

Note 5 Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000	Notes
31,799	Interest payable and similar charges	34,609	27
13,107	Pensions interest cost and expected return on pensions assets	6,759	19
(261)	Interest receivable and similar income	(297)	27
(35)	Net income/expenditure relating to Investment Properties	11,932	21
(451)	Surplus on Trading undertakings	(1,901)	6
44,159	Total	51,102	

Note 6 Surplus / Deficit on Trading Services, including dividends from companies

In accordance with the recommendations of CIPFA's Service Reporting Code of Practice (SERCOP) a number of trading accounts continue to be maintained by the Authority. The Council considers a trading operation exists where the service it provides is competitive i.e. the service user has the choice to use an alternative supplier than the Council and the Council charges the user on a basis other than a charge that equates to the costs of supplying the service.

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

Expenditure £000	Income £000	2010/11 (Surplus) / Deficit £000		Expenditure £000	Income £000	2011/12 (Surplus) / Deficit £000
12,644	(12,398)	246	Construction, Street Cleansing and Landscaping	10,890	(11,113)	(223)
1,428	(1,462)	(34)	Vehicle Maintenance	682	(761)	(79)
2,911	(3,289)	(378)	Property Services – Fee-billing	2,737	(3,298)	(561)
1,341	(1,467)	(126)	Engineering – Fee-billing	692	(859)	(167)
5,110	(5,103)	7	Cleaning of buildings	4,873	(5,153)	(280)
1,127	(1,014)	113	Markets	1,148	(1,073)	75
417	(369)	48	Building Regulations Control	360	(346)	14
10,146	(10,473)	(327)	School Support Services	8,885	(9,525)	(640)
0	0	0	Dispersed & Furnished Units	95	(135)	(40)
35,124	(35,575)	(451)	(Surplus) / Deficit	30,362	(32,263)	(1,901)

The net surplus for the year on traded services of £1,901k has not been allocated to specific services within the accounts, but forms part of the Council's Financing and Investment Income and Expenditure as disclosed in Note 5. The net surplus of £1,901k is after crediting £180k for FRS17 pension costs (2010/11 £57k debit).

The Council's traded services include:

Construction, Street Cleansing and Landscaping

Streetpride maintains over 680 miles of highways in a clean and safe condition for pedestrians, motorists, other road users and local communities.

Vehicle Maintenance

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

Property Services – Fee Billing

Quantity surveyors, project managers, architects, valuers involved in the valuation and construction of new and existing Council buildings.

Engineering

Streetpride provides a design, inspection, assessment service and carries out engineering works to buildings, bridges, structures and highways.

Cleaning of Buildings

Facilities Services provides a cleaning service for schools and other premises owned by RMBC. This service is also utilised by the NHS in certain buildings.

Markets

The Council operates regular markets in Wath, Rawmarsh and Rotherham town centre.

Building Control

Building Control service begins at preplanning application stage and continues throughout the entire planning and construction process. Ultimately the Council aims to provide a service that will achieve a fast and trouble-free Building Regulation approval and a rapid response inspection process that will assist a project to fully comply with the Building Regulations when complete. From 1st January 2010 a new scheme of Building Regulation charges made under the Building (Local Authority Charges) Regulations 1998 has been adopted by the Council.

School Support Services

School support services provides catering, Information Technology Support, Human Resources support, training facilities and the provision of supply staff to schools, teachers absence in-house insurance scheme and schools finance support team.

Dispersed and Furnished Units

To enable continued funding and improvements of emergency accommodation properties "crash pads". Income from the weekly charge from occupied units is used to contribute to replace fixtures, furniture and furnishings within the temporary units for the homeless.

Note 7 Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000	Notes
96,075	Council Tax Income	96,584	
107,702	Non Domestic Rates Redistribution	94,087	
43,941	Non Ring-fenced government grants	40,855	8
36,562	Capital Grants and Contributions	18,947	8
284,280	Total	250,473	

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

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

2010/11 £000		2011/12 £000
15,639	Revenue Support Grant	29,083
20,269	Area Based Grant	0
8,033	PFI Grant	8,033
0	Other Non Specific Revenue Grants	3,739
43,941	Total	40,855

Capital Grants Credited to Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
1,314	Department for Transport	5,111
6,568	HCA New Build Grant	2,201
1,404	Primary Care Trust	0
1,670	SY Integrated Transport Authority	0
241	Department for Children, Schools and Families	0
1,474	Surestart	0
0	Early Intervention Grant	208
1,491	LAA Reward Grant	0
1,373	Regional Housing Board	0
0	Heritage Lottery Fund	493
3,452	Housing Market Renewal Pathfinder	0
8,671	Standards Fund	0
0	Partnerships for Schools: LA Maintained Maintenance Grant	4,083
0	Partnerships for Schools: Basic Need Pupil Places	2,000
0	Partnerships for Schools: LA Maintained Devolved Formula Capital	826
1,162	Young People's Learning Agency (YPLA)	0
0	Disabled Facilities Grant	1,101
7,742	Other Local Authorities and Partners	2,924
36,562		18,947

Significant Revenue Grants attributable to specific services and which have therefore been Credited to Cost of Services were as follows:

2010/11 £000		2011/12 £000
166,001	Dedicated Schools Grant (Note 16)	182,610
24,202	Standards Fund	4,856
94,938	Housing and Council Tax Benefit: subsidy	101,614
18,777	Sixth Form Funding	7,013
9,201	Schools Standards Grant	10
12,189	Sure Start, Early Years and Childcare Grant	0
0	Early Intervention Grant	12,842
0	Pupil Premium	3,299
2,484	Housing Benefit and Council Tax Benefit Administration	2,361
739	Asylum Seekers	590
1,025	Youth Offending Teams Grant	681
1,055	Social Care Reform	0
1,219	Inspire Rotherham / Young Enterprise Project	200
3,082	Enterprising Neighbourhoods / Future Jobs Fund	3,226
0	DFE Local Support Services Grant	787
0	Extreme Winter Weather	691
0	Learning & Disability Health Reform Grant	3,226

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the funding body if they are not applied for their intended purpose. The balance of capital grant received in advance at the year-end was as follows:

31 March 2011 £000		31 March 2012 £000
466	Section 106 Developer Contributions	527
466	Total	527

<u>Section 106 Developer Contributions</u>

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

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

Income £000	Expenditure £000	2010/11 £000		Income £000	Expenditure £000	2011/12 £000
0	0	67	Dinnington Colliery Site – Highways works	0	0	67
(9)	27	105	Culture and Leisure – General Fund	(12)	56	61
0	35	101	Other – General Fund	(79)	36	144
(61)	238	193	HRA	(62)	0	255
(70)	300	466	Total	(153)	92	527

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in either 2010/11 or 2011/12. All of the Council's income and expenditure relates to continuing operations.

Note 10 Agency Services

NHS Funded Nursing Care

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

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

2010/11 £000		2011/12 £000
2,375	Gross income	2,251
(2,329)	Gross expenditure	(2,233)
46	Under spend	18

Note 11 Transport Act

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

Note 12 Pooled Budgets

The Council, through Adult Social Services, has 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:

2010/11 £000	**Intermediate Care**	2011/12 £000
(1,352)	Funding from NHS Rotherham	(2,347)
(2,083)	RMBC (Adult Social Services) Contribution	(1,054)
(3,435)	Total Gross Income	(3,401)
1,329	NHS Expenditure	2,274
2,048	RMBC Expenditure	1,021
3,377	Total Gross Expenditure	3,295
(58)	Net (surplus) arising on the pooled budget during the year	(106)
(35)	RMBC share of the net (surplus) arising on the pooled budget	(33)

2010/11 £000	**Learning Disability Services**	2011/12 £000
(3,727)	Funding from NHS Rotherham	(3,338)
(28,317)	RMBC (Adult Social Services) Contribution	(27,273)
(32,044)	Total Gross Income	(30,611)
3,576	NHS Expenditure	3,338
27,774	RMBC Expenditure	26,719
31,350	Total Gross Expenditure	30,057
(694)	Net (surplus) arising on the pooled budget during the year	(554)
(543)	RMBC share of the net (surplus) arising on the pooled budget	(554)

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.

2010/11 £000	**Integrated Equipment Store**	2011/12 £000
(1,019)	Funding by NHS Rotherham	(1,019)
(442)	RMBC (Adult Social Services) Contribution	(368)
(1,461)	Total Gross Income	(1,387)
1,107	NHS Expenditure	987
442	RMBC Expenditure	368
1,549	Total Gross Expenditure	1,355
88	Net (surplus) / deficit arising on the pooled budget during the year	(32)
0	RMBC share of the net (surplus) / deficit arising on the pooled budget	0

Note 13 Members' Allowances

Members' allowances and expenses during the year totalled £1,111,709 excluding Joint Authority allowances (2010/11 £1,125,555 excluding Joint Authority allowances). The employers' pension contributions associated with these allowances was £76,588 (2010/11 £64,690). Detailed information about Members' Allowances can be obtained from the

Strategic Director of Resources, Resources Directorate, Riverside House, Main Street, Rotherham, S60 1AE

2010/11 £000		2011/12 £000
770	Basic allowance	758
1	Travel	2
1	Subsistence	1
354	Special responsibility allowances	351
1,126	Total Members' Allowances and Expenses	1,112
65	Employer Pension Costs	77
1,191	Total	1,189

Note 14 Staff Remuneration

The Accounts and Audit Regulations 2011 require the disclosure of certain information relating to officers' emoluments. Details of the number of employees whose remuneration was £50,000 or more based on 2011/12 payroll information, expressed in bands of £5,000 is as follows:

2010/11			2011/12	
Restated Officers Total	Restated Teachers Total		Officers Total	Teachers Total
46	65	£50,000 - £54,999	26	56
19	52	£55,000 - £59,999	12	54
16	31	£60,000 - £64,999	9	25
12	15	£65,000 - £69,999	3	13
10	12	£70,000 - £74,999	11	9
5	5	£75,000 - £79,999	1	6
5	0	£80,000 - £84,999	4	1
2	2	£85,000 - £89,999	2	4
0	2	£90,000 - £94,999	0	0
2	2	£95,000 - £99,999	0	0
1	0	£100,000 - £104,999	1	0
0	1	£105,000 - £109,999	0	0
4	1	£110,000 - £114,999	4	0
0	1	£115,000 - £119,999	0	0
0	1	£120,000 - £124,999	0	1
0	0	£125,000 - £129,999	0	1
1	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	1	1
1	0	£155,000 - £159,999	0	0
0	0	£160,000 - £164,999	0	0

Note 1 The number of employees whose remuneration was £50,000 or more includes a number of staff, who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment) during 2011/12 and this has resulted in these staff falling into higher banding brackets than normal.

In accordance with the Accounts and Audit Regulations 2011, Senior Officers Remuneration and Employers Pension Contribution for the Council are as follows:

Strategic Leadership Team (who were Members during all or part of the year) Job Title/Employee	Total remuneration excluding employer pension contributions	Pension employer contribution	Total remuneration excluding employer pension contributions	Pension employer contribution
	2010/11 £	2010/11 £	2011/12 £	2011/12 £
Martin Kimber Chief Executive	159,999.96	27,360.00	154,480.08	27,497.40
Strategic Director Neighbourhoods and Adults Services	113,384.04	19,388.64	112,080.12	19,950.24
Strategic Director Environment and Development Services	113,384.04	19,388.64	112,080.12	19,950.24
Strategic Director of Resources	113,384.04	19,388.64	112,080.12	19,950.24
Strategic Director of Children and Young Peoples Services	113,384.04	19,388.64	112,080.12	19,950.24
Director Commissioning Policy and Performance	86,787.04	14,130.59	86,049.04	14,577.70
Director Human Resources	82,873.54	14,171.38	81,920.81	14,581.93
Assistant Chief Executive Legal and Democratic Services	82,635.04	14,130.60	20,279.85	3,609.81
Total	**865,831.74**	**147,347.13**	**791,050.26**	**140,067.80**

Note 2 The Assistant Chief Executive of Legal and Democratic Services left with effect from 30 June 2011.

Note 3 The Director Commissioning Policy and Performance ceased to be a Member of SLT with effect from November 2011.

Note 4 The Returning Officer Fees below are not included in the Chief Executive's Remuneration and the amounts disclosed are before the deduction of Tax and NI:

Local Elections	**Funded by RMBC**	£
May 2011	Ordinary Elections (21 wards)	9,639
Funded by other bodies:		
Parish Councils		
May 2011 May 2011	Scheduled elections for 27 Parish Councils By-election in 1 Parish Council	9,442 497
Central Government		
May 2011	AV Referendum on parliamentary voting system	7,550

Further disclosure for exit packages

In order to bring about a structured approach to reducing staff numbers to achieve necessary budget savings, the Council has operated a voluntary severance scheme. The table below shows the cost to the authority of staff who have left under the voluntary scheme together with other departures and those who have been made compulsorily redundant. These costs include, where appropriate, the full pension strain cost arising from early retirement for which the Council is required to make an additional payment to the Pensions Authority. It should be noted that whilst the full amount payable has been included, under an agreement with the Pensions Authority, this is settled and charged to revenue over a three year period.

The costs tabulated below comprise actual severance payments paid during the year plus accrued severance payments for individuals who left during 2011/12 but who were paid in 2012/13 less severance payments already accrued in 2010/11.

They do not include groups of staff for whom provision has been made. This is because the provision is based on an average estimated cost of departure and it is not therefore possible to ascribe these groups of staff to individual cost bandings. Note 37 shows the changes to the provision for severance costs in the year. These changes are reflected in the total cost of termination benefits shown in Note 18.

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
Non Schools	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0-£20,000	22	54	179	164	201	218	2,169	1,951
£20,001-£40,000	1	5	89	58	90	63	2,487	1,786
£40,001-£60,000	0	0	28	24	28	24	1,309	1,175
£60,001-£80,000	0	2	7	8	7	10	479	712
£80,001-£100,000	0	0	4	4	4	4	350	358
£100,000-£150,000	0	0	3	1	3	1	325	125
£150,000 +	0	0	0	1	0	1	0	175
Total	23	61	310	260	333	321	7,119	6,282

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
Schools	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0-£20,000	24	22	15	21	39	43	214	319
£20,001-£40,000	0	0	1	0	1	0	28	0
£40,001-£60,000	1	0	0	0	1	0	48	0
£60,001-£80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,000-£150,000	0	0	0	0	0	0	0	0
Total	25	22	16	21	41	43	290	319

Note 15 External Audit Fees

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

2010/11 £000		2011/12 £000
345	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	311
0	Fees payable to Audit Commission in respect of statutory inspection	0
100	Fees payable to KPMG for the certification of grant claims and returns	45
0	Fees payable in respect of other services provided by the appointed auditor	0
445	Total	356

Note 16 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 as defined in the School Finance (England) Regulations (2008). The Schools Budget includes 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. Over and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG are as follows:

2010/11			Schools Budget Funded by DSG	2011/12		
Central Expenditure £000	Schools Expenditure £000	Total £000		Central Expenditure £000	Schools Expenditure £000	Total £000
		166,001 (62) 0	Final DSG for the year Brought forward from previous year Carry forward to next year agreed in advance			182,610 (92) 0
14,499	151,440	165,939	Agreed budgeted distribution	17,556	164,962	182,518
14,591	151,440		Actual Central Expenditure for the year Actual ISB deployed to Schools	16,171	164,962	
0	0	0	Local Authority Contribution for the year	0	0	0
(92)	0	(92)	Carry forward to next year (including carry forward agreed in advance)	1,385	0	1,385

Note 17 Related Party Transactions

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

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

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

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

The Council has taken the opportunity to use the clarification on the definition of a related party to review which organisations fall within its scope. Accordingly, a number of organisations previously disclosed as related parties are no longer disclosed as related parties this year.

Subsidiaries

2010 Rotherham Ltd

As explained in the Explanatory Foreword, during 2010/11, 2010 Rotherham Limited completed the delivery of the Decent Homes programme and externalisation of the Property Services repair and maintenance activities. Following consultation with tenants, the Council decided on 23 February 2011, to bring the management of Council Housing back under the direct control of the Council. As a consequence, the company elected to cease trading when the management agreement expired on 30 June 2011 and was formally wound up on a voluntary basis on 15 May 2012.

Under the terms of the management agreement, the assets and liabilities of 2010 Rotherham were transferred to the Council during the course of the company being wound up. This has resulted in the following items being transferred:

- Net trading liabilities of the company - £3.152m
- FRS 17 pensions liability - £2.654m

The financial performance and position of the company in its final period of trading to 30 June 2011 as reported in its accounts to 31 August 2011 is as follows:

31 March 2011 £000		31 August 2011 £000
23,055	Turnover	2,201
(11,421)	Profit/(Loss) before taxation	(121)
(11,407)	Profit/(Loss) after taxation	(121)
(3,272)	Net (Liabilities) / Assets	(3,152)

The company's turnover includes a fee for managing the Council's housing stock of £2.078m (£9.688m 2010/11). There are no charges to the Council for repairs and maintenance due to the externalisation of repairs and maintenance activities in November 2010 (2010/11 £13.108m).

2010 Rotherham Limited bought £441,000 of support services from the Council under agreed Service Level Agreements (2010/11 - £1.982 million).

Joint Ventures and Associates

(i) RBT (Connect) Limited

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a company, RBT (Connect) Ltd. The purpose of the strategic partnership was 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.

As explained in the Explanatory Foreword the Council took a decision on 8 June 2011 to seek early completion of the partnership and conclude the work of the joint venture. Work on finalising the transition arrangements has been completed with BT, and, as a consequence, the contract was formally terminated on the 31 January 2012, and seconded staff returned to the Council.

The company ceased trading on this date. A Board Meeting on 30 May 2012 took the decision that the company be wound up voluntarily, liquidators have been appointed for this purpose.

The financial performance and position of the company reported in its draft unaudited accounts for the period ended 31 January 2012 is as follows:

As Restated 31 March 2011 £000		10 months to 31 January 2012 £000
30,294	Turnover	26,781
51	Profit/(Loss)	23
37	Profit/(Loss) after taxation	17
111	Net Assets	128

During 2011/12 RBT (Connect) Ltd provided services worth £26.701m (2010/11 £30.234m) to the Council. At 31 March 2012 a sum of £1,262,738 (£2,213,370 2010/11) was payable by RBT (Connect) Ltd to the Council and £885,109 (£2,984,844 2010/11) was owed from the Council to RBT (Connect) Ltd. The Council owns 19.9% of the share capital of the company, so that it will receive £23,482 in respect of the P&L Balance when the company is wound up. These figures are subject to audit.

(ii) Digital Region Ltd

Digital Region Ltd is a joint venture whose members comprise Rotherham Metropolitan Borough Council, Sheffield City Council, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Yorkshire Forward (Yorkshire Forward's interests were transferred to the Department of Business, Innovation and Skills (BIS) on 30 March 2012 following the abolition of the Regional Development Agencies).

The company was set up 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. Under the original business model, achievement of this objective was dependent on the company generating sufficient revenue sales in the early years of operation. As the target level of sales has not been achieved, a fundamental review of the business model has been undertaken. As a consequence, the company is now in the process of re-procuring service delivery under a new business model which seeks to transfer more of the risk to the private sector in accordance with the government's national Broadband Deliver UK strategy. The aim is to complete the re-procurement no later than March 2013.

Under the funding agreement for the deployment of the broadband network, the Council has advanced £2m of capital loans as the Council's contribution towards the overall funding package (£0.136m as at 31 March 2011). The Council has also received a capitalisation direction of £6.28m from CLG. The purpose of the capitalisation direction is to enable the Council together with BIS, as major shareholder, and the other 3 metropolitan authorities in South Yorkshire, to bring about the successful re-procurement of Digital Region services under the new business model.

The Council also has a shareholding in the equity of the company comprising 10% of the company's 'A' shares and 8.57% of the company's 'B' shares. The share capital of the company comprises 1,500 class A shares of £1 each and 70 class B shares of £1 each. The A shares are non equity shares which determine voting rights. The B shares confer entitlement to profits and losses.

Draft accounts for 2011/12 are not expected to be available until towards the end of 2012.

The company's latest available accounts for the year ended 31 March 2011 can be obtained from the company's registered office, the address for which is: Electric Works, Sheffield Digital Campus, Sheffield S1 2BJ.

(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:

a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.

b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.

c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total. These shares are ranked after the other 3 classes of shares (A, B and C) and payment will only be made should funds remain available for distribution after meeting the entitlements of the other groups of shareholders. No voting rights are attached to these shares.

At the time of publication of this Statement, accounts for the company for the year ended 31 December 2011 were unavailable and the following details are the most up to date available.

31 December 2009 £000		31 December 2010 £000
4	Turnover	77
(72)	Profit/(Loss)	20
(72)	Profit/(Loss) after taxation	20
4,975	Net Assets	4,995

No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2012.

(iv) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004 and formally dissolved on the 8th May 2012. Its principal activities were enhancing the accommodation and facilities available in school premises, and promoting the community use of those facilities.

The company 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.

As the company has now ceased trading, the 2010/11 Accounts have not been prepared on a going concern basis. Final Accounts have been produced up to 30 November 2011.

31 March 2011 £000		30 November 2011 £000
250	Turnover	22
(16)	Profit/(Loss)	0
(16)	Profit/(Loss) after taxation	0
0	Net Assets	0

During the period ended 30 November 2011 Building Learning Communities Ltd provided services to the Council to the value of £2,167 (2010/11 £55,132) and incurred charges from the Council to the value of £15,649 (2010/11 £93,348).

(v) Groundwork Cresswell, Ashfield and Mansfield Trust

Creswell Groundwork Cresswell, Ashfield and Mansfield 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 2012 were unavailable and the following details are the most up to date available.

31 March 2010 £000		31 March 2011 £000
3,400	Turnover	3,389
(24)	Surplus/(Deficit) for the year	71
738	Net Assets	809

Rotherham Metropolitan Borough Council's contribution to the company during 2011/12 was nil (2010/11 nil).

During the financial year ended 31 March 2012, Creswell Groundwork Trust provided no services to the Council (nil 2010/11) and incurred no charges from the Council (nil 2010/11).

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

(vi) 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 2012 were unavailable and the following details are the most up to date available.

As Restated 31 March 2010 £000		31 March 2011 £000
1,107	Turnover	1,769
(189)	Surplus/(Deficit) for the year	116
11	Net Assets	130

Rotherham Metropolitan Borough Council's contribution to the company during 2011/12 was £83,000 (2010/11 £80,000).

During the financial year ended 31 March 2012, Groundwork Dearne Valley Limited continued to receive payroll services from the Council and provided services to the Council to the value of £185,814 (2010/11 £172,329) and incurred charges from the Council to the value of £688,002 (2010/11 £1,114,892).

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.

(vii) Inspire Rotherham Limited

Inspire Rotherham Limited was established as a not for profit social enterprise company to take on responsibility for commissioning a range of innovative literacy services across Rotherham when the Council's contract with Yorkshire forward for delivering such services ceased in May 2011.

The Council is a member of the new social enterprise together with Voluntary Action Rotherham (representing the voluntary and community sector) and the University of Sheffield.

The company has not yet produced accounts for its first period of trading.

(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 2012 were unavailable and the following details are based on the company's accounts for the year ending 31 March 2011.

31 March 2010 £000		31 March 2011 £000
3,068	Turnover	3,317
(1,990)	Surplus/(Deficit) for the year	(2,005)
18,712	Net Assets	16,707

During the financial year ended 31 March 2012, the company provided services to the Authority to the value of £154,692 (2010/11 £88,756). Magna incurred charges from the Council of £26,102 (2010/11£13,119).

A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £195,000 was still outstanding as at 31 March 2012. The £150,000 one year loan issued in 2010/11 was repaid on the 29 September 2011. A further short term loan of £100,000 issued on that date was repaid on the 31 March 2012.

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

(ix) Ministry of Food Limited

The Ministry of Food Limited is a Company Limited by guarantee with no share capital and was incorporated 1 November 2010. The activities of the Ministry of Food Centre set up in Rotherham in 2008 to promote food preparation and healthy eating training were transferred to the company with effect from 1 April 2011.

The operations of the company are supported by the Council and NHS Rotherham.

The latest results available for the Ministry of Food Limited are for the period 1st November 2010 to 31 March 2012 and the details are as follows:

	Draft 31 March 2012 £000
Income	260
Surplus/(Deficit) for the year Net Assets	41 41

The Council provided £74,872 of financial support during 2011/12. During the financial year ended 31 March 2012, the company provided services to the Council of £5,020 (2010/11 £465) and incurred £138,577 charges from the Council (2010/11 nil).

(x) 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 2011 and the details are as follows:

31 July 2010 £000		31 July 2011 £000
5,329	Income	5,484
107 803	Surplus/(Deficit) for the year Net Assets	409 1,409

Rotherham MBC made no contribution towards the running costs of the company during 2011/12 (2010/11 nil).

During the financial year ended 31 March 2012, the company provided services to the Council of £29,430 (2010/11 £38,533) and incurred no charges from the Council (2010/11 nil).

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

(xi) 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 2012 were unavailable and the following details are the most up to date available.

As Restated 31 March 2010 £000		31 March 2011 £000
2,748	Turnover	7,508
374	Profit/(Loss)	968
358	Profit/(Loss) after taxation	964
1,062	Net Assets	1,376

Rotherham Borough Council's grants to and payments for services provided by the company during 2011/12 was £102,291 (2010/11 £2,452,362), and incurred charges from the Council to the value of £17,698 (2010/11 £2,816).

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.

(xii) Rotherham Renaissance Limited

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

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

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

No accounts have been or will be prepared for the period 21 September 2005 to 31 March 2012. The company has now been wound up.

(xiii) Rotherham United Community Sports Trust

Rotherham United Community Sports Trust is a company limited by guarantee governed by its Memorandum and Articles of Association dated 11th December 2007. It is registered as a charity with the Charity Commission. The liability of the members is limited to an amount not exceeding £10.

At the time of publication of this Statement, accounts for the company for the year ending 31 August 2010 were available and are as follows:

31 August 2009 £000		31 August 2010 £000
226	Gross incoming resources for the year	459
46	Net incoming resources for the year	92
62	Net Assets	154

Rotherham MBC did not make any contribution to the running costs of this company during 2011/12 (2010/11 nil).

During the financial year ended 31 March 2012, the company provided no services to the Authority and incurred charges from the Council of £640 (2010/11 nil).

A copy of the accounts of the company may be obtained from the company at Mangham House, Mangham Road, Barbot Hall Industrial Estate, Rotherham, S61 4RJ.

(xiv) 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 2012 were unavailable and the following details are the most up to date available.

31 March 2010 £000		31 March 2011 £000
2,488	Turnover	2,724
3	Profit/(Loss)	119
(5)	Profit/(Loss) after taxation	119
(547)	Net Assets / Liabilities	(67)

Rotherham MBC did not make a direct contribution to the running costs of this company during 2011/12 (2010/11 nil).

During the financial year ended 31 March 2012, the company provided services to the Authority to the value of £131,028 (2010/11 £511) and incurred no charges from the Council (2010/11 nil).

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

(xv) 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 2011 were available and the details are as follows:

31 December 2010 £000		31 December 2011 £000
105,477	Turnover	108,453
(6,938)	Surplus/(Deficit) for the year	(6,255)
15,006	Net Assets	20,098

Rotherham MBC did not make a direct contribution to the running costs of this company during 2011/12 (2010/11 nil).

During the financial year ended 31 March 2012, the company provided services to the Council to the value of £707,277 (2010/11 £775,440) and incurred no charges (2010/11 nil).

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

Other

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

2010/11 £	Related Parties	Nature of Transactions	2011/12 £
	Assisted Organisations		
44,521	Dinnington Resource Centre	Grant, fees and charges	36,133
41,303	Full Life Christian Centre	Grant and charges	30,331
66,301	Get Sorted Academy of Music	Fees and charges	35,205
156,779	Rotherham Advocacy Partnerships	Charges	124,001
24,160	Rotherham Diversity Forum	Grant and charges	26,583
57,568	Rotherham Ethnic Minority Alliance Ltd	Charges	17,183
43,635	Tassibee Project	Grant and charges	19,193
63,278	United Multicultural Centre Ltd	Grant and charges	20,671
	Member Related		
28,300	Home-Start Rotherham	Grants	126,700
628,210	Rotherham Mind	Charges	127,440
357,555	Rotherham Women's Refuge	Grant and charges	284,025
62,685	Safe At Last	Grant, fees and charges	21,636
81,546	Swinton Lock Activity Centre	Charges	58,176
746,830	Voluntary Action Rotherham	Grant and charges	378,994
	Officer Related Organisations		
130,858	GROW	Grant and fees	78,932
51,431	Kiveton Park Independent Advice	Grant	32,776
51,024	South Yorkshire Funding Advice	Grant	0
	Other Related Organisations		
19,245,029	South Yorkshire Integrated Transport Authority	Levy, fees and charges	18,858,036

Note 18 Termination Benefits

As part of the rationalisation of Council services, some 336 employees (2010/11 483) have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment) during 2011/12.

The liabilities incurred as a result of the early termination of employees in 2011/12 totalled £5.9m (2010/11 £7.6m) - composed of severance payments of £4.2m (2010/11 £6.4m) and £1.7m (2010/11 £1.2m) in pensions strain costs. The Council has received capitalisation directions from the DCLG enabling £1.1m of the severance costs to be funded from capital resources in 2011/12 (2010/11 £1.2m plus £0.9m pension strain costs).

A further £1.3m of pension strain costs will be paid over to the South Yorkshire Local Government Pension Scheme in 2012/13 and 2013/14 as they fall due and become chargeable to revenue (2010/11 £2.4m).

Note 19 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.

On 1 July 2011, 2010 Rotherham Ltd. the Arm's Length Management Organisation (ALMO) with responsibility for managing the Council's housing stock was returned to direct Council control and the company was wound up. As a result, the Council assumed responsibility for the pension's provision of 2010 Ltd's staff and a pension's liability of £2.654m was transferred to the Council in respect of these staff. This is shown as a business combination in Note 19.

The actuary has also made an allowance for schools acquiring academy status during the year (Aston Comprehensive became an Academy on 1 May 2011).

(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.

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.

During 2011/12 the Authority paid employer's contributions calculated at 14.1% amounting in total to £11.031m (2010/11 £12.871m).

The total contributions expected to be made in the Teachers' Pension Scheme by the Council in the year to 31 March 2013 is £10.4m.

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 2011/12.

(b) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through its participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority. Although these benefits will not actually be payable until employees retire, the 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 is able to identify a share of the underlying liabilities in the scheme attributable to its own employees and accordingly accounts for post employment benefits as a defined benefit scheme in accordance with the requirements of IAS19. Accordingly, 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 IAS 19 cost of retirement benefits is reversed out through the Movement in Reserves Statement and replaced by the actual contributions payable in the year.

During 2011/12 the Council paid employer's superannuation contributions calculated at 17.6% amounting to £22.366m.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £21.7m.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

2010/11 £000		2011/12 £000
	Net Cost of Services	
(21,228)	- Current Service Cost	(18,517)
52,870	- Past Service (Council)	(87)
(5,430)	- Past Service (2010 Rotherham Ltd)	2,776
(2,383)	- Curtailment / Settlement Cost	(484)
	Net Operating Expenditure	
(2,359)	- Current Service Cost – Trading Services	(2,057)
(50,080)	- Interest Cost	(48,197)
36,973	- Expected Return on Assets in the Scheme	41,438
	Amounts to be met from Government Grants and Local Taxation:	
(39,076)	- Movement of Pensions Reserve (Council)	2,492
5,430	- Movement of Pensions Reserve (2010 Rotherham Ltd)	(2,776)
	Actual amount charged against Council Tax for pensions in the year:	
(25,283)	- Employer's contributions payable to Scheme	(25,412)

In addition to the recognised gains and losses included in the CIES, actuarial loss of £47.521m (£34.102m gain in 2010/11) were included in other comprehensive income and expenditure in the CIES.

Assets and liabilities in relation to retirement benefits

The change in Benefit Obligations for the year ended 31 March 2012 is as follows:

2010/11 Unfunded £000	2010/11 Funded £000		2011/12 Unfunded £000	2011/12 Funded £000
(20,897)	(873,082)	Benefit Obligation at beginning of period	(19,488)	(830,749)
0	(21,228)	Current Service Cost	0	(18,517)
0	(2,359)	Trading Services	0	(2,057)
(1,135)	(48,945)	Interest on Pension Liabilities	(1,037)	(47,160)
0	(8,654)	Member Contributions	0	(7,952)
1,074	51,796	Past Service Cost	0	(87)
223	43,730	Actuarial gains/(loss) on liabilities	(441)	(33,058)
0	(2,383)	Curtailments	0	(1,728)
0	0	Settlements	0	1,892
1,247	30,376	Benefits/Transfers paid	1,274	33,679
0	0	Business combinations	0	(38,765)
(19,488)	(830,749)	Benefits Obligation at end of period	(19,692)	(944,502)

Note: Compensatory Added Years' benefits which are recharged to the employer have been included in the liabilities figure for the purpose of IAS 19 calculations.

The change in Plan Assets during the year ended 31 March 2012 is as follows:

2010/11 Unfunded £000	2010/11 Funded £000		2011/12 Unfunded £000	2011/12 Funded £000
0	582,733	Fair Value of Plan Assets at beginning of period	0	612,169
0	36,973	Expected return on Plan Assets	0	41,438
0	(9,851)	Actuarial gains/(losses) on Assets	0	(14,022)
0	0	Business combinations	0	36,111
0	0	Settlements	0	(648)
1,247	24,036	Employer contributions	1,274	24,138
0	8,654	Member contributions	0	7,952
(1,247)	(30,376)	Benefits/transfers paid	(1,274)	(33,679)
0	612,169	Fair Value of Plan Assets at end of period	0	673,459

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 £27.416m (2010/11 £52.549m).

Analysis of the Fair Value of Plan Assets as at 31 March 2012

	31 March 10 £000	31 March 11 £000	31 March 12 £000
Equity investments	376,445	412,601	419,566
Bonds	135,777	133,453	166,344
Property	53,029	59,993	66,672
Cash	17,482	6,122	20,877
	582,733	612,169	673,459

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

The Council's share of the Net Pension Liability (included in the Balance Sheet):

	31 March 10 £000	31 March 11 £000	31 March 12 £000
Fair Value of Employer Assets	582,733	612,169	673,459
Present value of funded liabilities	(873,082)	(830,749)	(944,502)
Net (under)/over funding in Funded Plans	(290,349)	(218,580)	(271,043)
Present Value of Unfunded Liabilities	(20,897)	(19,488)	(19,692)
	(311,246)	(238,068)	(290,735)
Amount in the Balance sheet:			
Council:			
Liabilities	(893,979)	(850,237)	(964,194)
Assets	582,733	612,169	673,459
Net Assets / Liabilities	(311,246)	(238,068)	(290,735)
2010 Rotherham Ltd:			
Liabilities	0	(40,198)	0
Assets	0	34,768	0
Net Assets / Liabilities	(311,246)	(243,498)	(290,735)

Scheme History

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

	Restated 2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Present Value of Benefit Obligations	(750.0)	(636.7)	(893.9)	(850.2)	(964.2)
Fair Value of Assets	517.5	436.1	582.7	612.2	673.5
Surplus/(Deficit)	(232.5)	(200.6)	(311.2)	(238.0)	(290.7)

The actuarial gains identified as movements on the Pensions Reserve 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

Amount recognised in Other Comprehensive Income and Expenditure:

	31 March 08 £000	31 March 09 £000	31 March 10 £000	31 March 11 £000	31 March 12 £000
Actuarial gains/(losses)	(68,880)	42,171	(102,340)	34,102	(47,521)
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	(68,880)	42,171	(102,340)	34,102	(47,521)
Cumulative actuarial gains and losses	(68,880)	(26,709)	(129,049)	(94,947)	(142,468)

History of experience gains and losses

Experience gains and (losses) on assets	(46,372)	(124,436)	112,480	(9,851)	(14,022)
Experience gains and (losses) on liabilities	(9,721)	0	0	28,011	0

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The Council's Pension liability of £290.7m has a significant impact on the net worth of the Authority. As shown in the balance sheet the liability of £290.7m has reduced the Council's net worth to £236m. 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 Code is principally realisable or bid value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

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 6.5% (net of expenses) on the existing assets had been anticipated for 2011/12. The actual return achieved in the year was 5.6% (net of expenses). This figure may vary from year to year depending on the assumptions made and the underlying distribution of the Fund's assets.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	31 March 08 %	31 March 09 %	31 March 10 %	31 March 11 %	31 March 12 %
Experience gains and (losses) on Assets	(8.96)	(28.54)	19.30	(1.61)	(2.08)
Experience gains and (losses) on liabilities	1.30	0.00	0.00	(3.29)	0.00

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 2010.

The principal assumptions used by the actuary have been:

As Restated 2010/11		2011/12
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.0%
4.4%	Government Bonds	3.1%
5.1%	Bonds	4.1%
6.5%	Property	6.0%
0.5%	Cash/liquidity	0.5%
7.5%	Other	7.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.4 years	Men	21.5 years
24.1 years	Women	24.2 years
	Longevity at 65 for future pensioners:	
22.8 years	Men (in 20 years time)	22.8 years
25.7 years	Women (in 20 years time)	25.8 years
2.9%	Rate of CPI inflation	2.5%
4.65%	Rate of increase in salaries	4.25%
2.9%	Rate of increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.9%
50.0%	Take-up of option to convert annual pension into retirement lump sum (50% to take maximum cash – 50% to take 3/80th cash)	50.0%

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

	As Restated 31 March 10 %	31 March 11 %	31 March 12 %
Equity investments	64.6	67.4	62.3
Bonds	23.3	21.8	24.7
Property	9.1	9.8	9.9
Cash	3.0	1.0	3.1
	100.0	100.0	100.0

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 20 Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2010	**781,298**	**603,353**	**14,441**	**87,534**	**2,965**	**39,785**	**29,273**	**1,558,649**
Additions	32,423	9,585	4,346	5,727	3,545	33,809	1,420	90,855
Accumulated Depreciation and Impairment written out to gross cost/valuation	(82,707)	(18,743)	0	0	0	0	(280)	(101,730)
Revaluation increases/decreases to Revaluation Reserve	(6,610)	17,264	0	0	25	185	(6,872)	3,992
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(181,787)	(15,072)	0	0	(7)	0	(3,519)	(200,385)
Derecognition - Disposals	(722)	(19,327)	(1,238)	0	0	0	(1,625)	(22,912)
Derecognition - Other	0	(127)	(81)	0	0	0	(229)	(437)
Reclassified to/from Held for Sale	0	0	0	0	0	0	(1,314)	(1,314)
Reclassified to/from Investment Properties	0	1,740	0	0	0	0	0	1,740
Other Movements in cost valuation	(68)	2,868	24,685	17,804	(756)	(46,082)	1,549	0
At 31 March 2011	**541,827**	**581,541**	**42,153**	**111,065**	**5,772**	**27,697**	**18,403**	**1,328,458**
Depreciation and Impairment								
At 1 April 2010	**(82,681)**	**(69,786)**	**(7,899)**	**(13,530)**	**(1,444)**	**0**	**(2,182)**	**(177,522)**
Accumulated Depreciation and Impairment written out to gross cost/valuation	82,707	18,743	0	0	0	0	280	101,730
Depreciation Charge	(12,139)	(10,861)	(3,758)	(2,219)	(3)	0	(106)	(29,086)
Impairment losses/reversals to Revaluation Reserve	(593)	(1,749)	0	0	0	0	(706)	(3,048)

Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(31,892)	(8,037)	0	(3,553)	(3,585)	(640)	(1,134)	(48,841)
Derecognition - Disposals	10	1,646	84	0	0	0	221	1,961
Derecognition - Other	0	6	12	0	0	0	229	247
Other movements in depreciation and impairment	0	128	(12)	0	0	0	(116)	0
At 31 March 2011	**(44,588)**	**(69,910)**	**(11,573)**	**(19,302)**	**(5,032)**	**(640)**	**(3,514)**	**(154,559)**
Net Book Value								
At 31 March 2011	**497,239**	**511,631**	**30,580**	**91,763**	**740**	**27,057**	**14,889**	**1,173,899**
At 31 March 2010	**698,617**	**533,567**	**6,542**	**74,004**	**1,521**	**39,785**	**27,092**	**1,381,127**

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2011	**541,827**	**581,541**	**42,153**	**111,065**	**5,772**	**27,697**	**18,403**	**1,328,458**
Additions	11,534	35,266	8,532	1,890	3	33,174	527	90,926
Accumulated Depreciation and Impairment written out to gross cost/valuation	(44,769)	(11,336)	0	0	0	0	(727)	(56,832)
Revaluation increases/decreases to Revaluation Reserve	277	5,973	0	0	0	0	2,505	8,755
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	9,043	(31,260)	0	0	0	0	(667)	(22,884)
Derecognition - Disposals	(458)	(113)	(107)	0	0	0	(2,316)	(2,994)
Derecognition - Other	0	(575)	(173)	0	0	0	0	(748)
Reclassified to/from Held for Sale	0	(1,689)	0	0	0	0	343	(1,346)
Reclassified to/from Investment Properties	0	(45)	0	0	0	(131)	0	(176)
Other Movements in cost valuation	16,448	16,145	3,638	827	(10)	(37,175)	127	0
At 31 March 2012	**533,902**	**593,907**	**54,043**	**113,782**	**5,765**	**23,565**	**18,195**	**1,343,159**
Depreciation and Impairment								
At 1 April 2011	**(44,588)**	**(69,910)**	**(11,573)**	**(19,302)**	**(5,032)**	**(640)**	**(3,514)**	**(154,559)**
Accumulated Depreciation and Impairment written out to gross cost/valuation	44,769	11,336	0	0	0	0	727	56,832
Depreciation Charge	(12,191)	(10,075)	(4,592)	(2,669)	(3)	0	(39)	(29,569)
Impairment losses/reversals to Revaluation Reserve	(293)	(2,112)	0	0	0	0	(556)	(2,961)

Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(11,025)	(22,729)	(42)	(65)	(3)	0	(272)	(34,136)
Derecognition - Disposals	29	36	101	0	0	0	509	675
Derecognition - Other	0	60	35	0	0	0	0	95
Reclassification to / from Held for Sale	0	30	0	0	0	0	0	30
Other movements in depreciation and impairment	(30)	54	(17)	0	0	0	(6)	1
At 31 March 2012	**(23,329)**	**(93,310)**	**(16,088)**	**(22,036)**	**(5,038)**	**(640)**	**(3,151)**	**(163,592)**
Net Book Value								
At 31 March 2012	**510,573**	**500,597**	**37,955**	**91,746**	**727**	**22,925**	**15,044**	**1,179,567**
At 31 March 2011	**497,239**	**511,631**	**30,580**	**91,763**	**740**	**27,057**	**14,889**	**1,173,899**

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

As Restated 2010/11 £000		2011/12 £000
	Cost or Valuation	
149,865	At 1 April	145,868
(2,919)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(335)
2,026	Additions	1,936
1,463	Revaluation Increases / (Decreases) taken to Revaluation Reserve	(140)
(3,749)	Revaluation Increases / (Decreases) taken to Surplus or Deficit on the Provision of Services	(2,251)
(637)	Derecognition – Other	0
(181)	Other movements in cost and valuation	0
145,868	Cost or Valuation at 31 March	145,078
	Depreciation and Impairment	
5,075	At 1 April	6,218
(2,919)	Adjustments between cost / value & depreciation/impairment	(335)
3,406	Depreciation Charge	3,154
192	Depreciation written out on Revaluation Reserve	12
464	Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,319
0	Impairment Losses /(Reversals) taken to Surplus or Deficit on the Provision of Services	0
6,218	Depreciation and impairment at 31 March	10,368
	Net Book Value	
139,650	At 31 March	134,710

2010/11 £000		2011/12 £000
122,293	Land and buildings	117,771
15,959	Vehicles, Plant, Furniture and Equipment	14,936
1,398	Assets under Construction	2,003
139,650	Total	134,710

Effects of change in estimates

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

Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2011/12 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Economic and Development Services. The Statement of Accounting Policies provide further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	26,756	82,479	54,043	113,782	5,765	1,528	23,565	307,918
Valued at fair value as at:								
31 March 2012	507,146	97,700	0	0	0	14,893	0	619,739
31 March 2011	0	220,656	0	0	0	572	0	221,228
31 March 2010	0	71,980	0	0	0	127	0	72,107
31 March 2009	0	37,716	0	0	0	0	0	37,716
31 March 2008	0	83,376	0	0	0	1,075	0	84,451
Total Cost or Valuation	533,902	593,907	54,043	113,782	5,765	18,195	23,565	1,343,159

Downward Revaluations and Impairment

Of the valuation decreased of £57m charged to the CIES in 2011/12, £34m relates to capital expenditure which did not enhance asset carrying values and £23m relates to downward revaluations. £11m of the downward revaluations are due to a change in the method used to calculate schools values which under the Code is now on a modern equivalent asset basis.

In 2010/11, the £200m valuation decrease charged to the CIES was largely due a downward revaluation of £181m in respect of council dwellings. This occurred because the social housing discount factor applied to council house values in Yorkshire and Humberside to reflect the fact that rents are at social housing rather than market rates was adjusted down by central government from 47% in 2009/10 to 31% in 2010/11. No change has been made to the social housing adjustment factor applied to council house values in 2011/12.

Capital commitments

At 31 March 2012 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 or to give financial assistance to aid such development and future years budgeted to cost £44.320 million. The Council had significant commitments of £1 million or more budget to cost £44.320m (£30.349 million at 31 March 2011).

	Cost £m
Name of Scheme:	
Neighbourhood and Adult Services:	
Wilmott Dixon Partnerships Limited	20.880
Morrison Facilities Services Limited	19.527
Children and Young People's Services:	
Orchard Centre - Refurbishment	1.113
Resources:	
Investment in Community Stadium	2.800
Total	44.320

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

Note 21 Investment Property

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

2010/11 £000		2011/12 £000
(1,267)	Rental income from investment property	(914)
452	Direct operating expenses arising from investment property	244
(815)	Net (gain)/loss	(670)
623	Change in fair value (gain) / loss	12,344
157	(Gain) / loss on disposal	258
(35)	Total included in Finance & Investment Income	11,932

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

As Restated 2010/11 £000		2011/12 £000
49,170	Balance at 1 April	46,443
0	Subsequent expenditure	0
(369)	Disposals	(494)
(623)	Net gains or losses from fair value adjustments	(12,344)
5	Net gains or losses through Revaluation Reserve	(45)
(1,740)	Transfers to / from Property, Plant & Equipment	176
46,443	Balance 31 March	33,736

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

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

Note 22 Intangible Assets

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

2010/11 £000		2011/12 £000
	Balance at 1 April:	
1,361	- Gross carrying amount	1,385
(780)	- Accumulated amortisation	(1,229)
581	Net carrying amount at 1 April	156
	Additions:	
24	- Purchases	183
(449)	Amortisation	(74)
156	Net carrying amount at 31 March	265
	Comprising:	
1,385	Gross carrying amounts	1,568
(1,229)	Accumulated amortisation	(1,303)
156	Balance at 31 March	265

Note 23 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance at 1 April	1,295	1,142	0	0
Assets newly classified as held for sale				
- Property, Plant and Equipment	1,685	1,659	0	0
Newly Acquired Assets	0	5	0	0
Revaluation losses	(399)	(206)	0	0
Impairment Losses	0	(5)	0	0
Assets declassified as held for sale				
- Property, Plant and Equipment	(371)	(343)	0	0
Assets sold	(1,068)	(145)	0	0
Other movements	0	0	0	0
Balance at 31 March	1,142	2,107	0	0

Note 24 Heritage Assets

Nature and scale of heritage assets held by the Council

The collections of Heritage Services generally fall within the scope of Heritage Assets, in particular the collections of objects and specimens related to the Museums and Gallery and the archives collection within Archives & Local Studies.

The Museum & Gallery collections hold over 100,000 items. There is an inventory, but cost / valuation information is historic, and generally only held if the item was purchased. As the Museums Service has been collecting since 1893, some items have never been valued, and some valued at purchase may be many years ago.

The following provides an indication of the nature and scale of heritage assets held by the authority. These are on display at Clifton Park Museum in Rotherham or held in off-site locations within the Borough.

a) Social & Industrial History (around 11,000 items)

The Social History Collection contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day. There is also a small collection of military items distinct to the York & Lancaster Regimental Museum. The costume and textile collection includes clothing, accessories and domestic textiles dating from 1800 to the present day.

The Industrial History Collection contains objects and ephemera illustrating the theme of working life within the Borough from 1750 to the present day.

b) Archaeology (around 6,500 items)

The Archaeology Collection includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham). Additional material comes from smaller sites in the Borough, around Britain and overseas. The collections span the periods of human culture from the Palaeolithic to Medieval times.

c) World Cultures (around 300 items)

The World Cultures Collection consists of objects originating from Africa, Asia, the Americas and Oceania. In 1981 the collection was transferred on loan to Leeds Museum.

d) Numismatics & Philately (over 3,000 items)

The Numismatics Collection, a small percentage of which are foreign, includes items dating from the 4th century BC to the 20th century AD. The Philately Collection is a small collection of (mainly) British stamps.

e) Fine Art (around 3,000 items)

The Fine Art Collection consists of oil paintings and water-colours, and prints including oil paintings acquired in 1908 by way of the Nightingale bequest. There is also a good collection of sculpture items.

f) Decorative Art (around 5,500 items)

The Decorative Art Collection is predominated by ceramic items including a large collection from Yorkshire potteries. The most significant is from the Swinton Pottery/Rockingham Works. There are also glass items including a collection of 18th century drinking glasses and Victorian decorative pieces.

g) Natural Sciences (over 30,000 items)

The Natural Sciences Collection contains vertebrate and invertebrate specimens from the Borough, the UK and around the world; botanical specimens; geological specimens from Yorkshire and Great Britain and a small number of minerals from around the world; and palaeontological items, mostly of Rotherham provenance and rich in fossil plants.

h) Historic Buildings

The Council owns two historic buildings: Keppel's Column and Catcliffe Glassworks Cone.

Keppel's Column is a 35.5 metre high free standing Tuscan order column listed grade II* and commemorates the honourable acquittal of Admiral Keppel following his court-martial after failing to engage the French in 1778.

Catcliffe Glass Cone is a conical structure, constructed largely of brick, of approximately 12.5 metres diameter and 16 metres high. It dates from 1740, and remained in use until 1884, with a brief period of further use c. 1900-1. It is the earliest surviving example of its type in Western Europe. It is of international significance due to its rarity, quality of construction and extent of survival. It was listed grade 1 in 1968.

Due to the condition and work required to bring both buildings back to useable standard, only essential repairs are carried out to prevent further deterioration and to ensure they remain safe. Access to both is now prohibited to for reasons of safety.

Disposal of both buildings would be dealt with by the Council's Facilities Management service, although there are no plans to take this course of action at present.

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

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

The Council's operational policy on preservation is to collect, preserve and interpret objects and specimens for the people of Rotherham and beyond. Each collection is managed and interpreted by a curator. A conservator provides ongoing conservation support for all aspects of the collection. Where conservation from external sources is required, this is bought in from professionally accredited conservators.

Maintenance of records - The Council holds a record of all items in its care which is regularly updated.

Access - Approximately 10% are on display at any one time.

With the exception of Keppel's column and the Catcliffe Glassworks Cone which are closed to the public on safety grounds, access to our Heritage Assets is generally through the main museum opening times. Access to material outside these times or to items in store is through the curatorial team.

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 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Financial Liabilities (principal amount)	420,636	464,402	22,000	30,238
Plus Accrued Interest	0	0	4,632	4,532
Plus(+)/Less(-) Other accounting adjustments	0	0	117	0
Financial liabilities at amortised cost	420,636	464,402	26,749	34,770
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	420,636	464,402	26,749	34,770
Loans and receivables (principal amount)	1,945	1,498	901	423
Plus Accrued Interest	0	0	0	0
Plus(+)/Less(-) Other accounting adjustments	(377)	(372)	(125)	(81)
Loans and receivables at amortised cost	1,568	1,126	776	342
Unquoted equity investments at cost	192	192	0	0
Total Investments	1,760	1,318	776	342

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. 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 2012 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2012 % (c)	Estimated maximum exposure to defaults £000 (a*c)
<u>Deposits with banks and financial institutions – excluding Icelandic Banks</u>				
AAA rated counterparties	0	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	0	0.080%	0.080%	0
Bonds	0	0.000%	0.000%	0
Total	0			0
<u>Debtors</u>				
Long Term Debtors	6,567	0.094%	0.094%	6
Sundry Debtors	5,477	23.598%	23.598%	1,292
Council Tax	4,813	37.312%	37.312%	1,796
Community Charge	43	94.014%	94.014%	41
Housing Benefits	2,410	31.027%	31.027%	748
Housing Tenants	3,941	64.588%	64.588%	2,546
Other Short-Term Debtors	18,905	2.251%	2.251%	425
Debtors	42,156			6,854
Total	42,156			6,854

Except as disclosed later at Note 30 the Council has no exposure to losses from non-performance by any of its counterparties in relation to deposits and bonds.

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 £6.854m 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 2011 £000		31 March 2012 £000
5,425	Less than three months	2,775
301	Three to six months	562
432	Six months to one year	609
1,837	More than one year	1,531
7,995		5,477

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 2012 was £1.027m (£0. 957m restated as at 31 March 2011).

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 2011 £000		31 March 2012 £000
26,749	Less than one year	34,770
7,000	Between one and two years	12,144
100,000	Between two and seven years	95,811
27,000	Between seven and fifteen years	51,688
286,636	More than fifteen years	304,759
447,385		499,172

The maturity analysis of financial assets is as follows:

Restated 31 March 2011 £000		31 March 2012 £000
776	Less than one year	342
369	Between one and two years	208
135	Between two and three years	110
1,063	More than three years	808
2,343		1,468

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £5.477m 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 Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

2010/11 £000		2011/12 £000
250	Impact on Surplus or Deficit on the Provision of Services	250
138	Increase in Government grant receivable for financing costs	113
(138)	Share of overall impact debited to the HRA	(113)
0	Decrease in the fair value of fixed rate investment assets	0
0	Impact on Other Comprehensive Income and Expenditure	0
(67,357)	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(68,965)

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 2012 are as follows:

2010/11 Total £000		Financial Liabilities	Financial Assets			2011/12 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Fair value through the CIES £000	
20,710	Interest expense	21,220	0	0	0	21,220
18	Impairment losses	0	77	0	0	77
(211)	Premium/discounts	(117)	0	0	0	(117)
11,282	Finance Lease Interest	13,429	0	0	0	13,429
31,799	Interest payable and similar Charges	34,532	77	0	0	34,609
(261)	Interest income	0	(297)	0	0	(297)
31,538	Net gain (-) / loss (+) for the year	34,532	(220)	0	0	34,312

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:

31 March 2011			31 March 2012	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Long and Short-term		
267,552	299,398	PWLB debt	301,217	366,260
174,833	194,161	Non-PWLB debt	174,854	182,208
5,000	5,000	Temporary	23,101	23,101
447,385	498,559	Total Debt	499,172	571,569
93,876	93,876	Trade Creditors	65,692	65,692
541,261	592,435	Total Financial Liabilities	564,864	637,261
776	776	Money Market loans less than one year	342	342
1,568	1,568	Money Market loans more than one year	1,126	1,126
0	0	Bonds	0	0
192	192	Equity	192	192
999	999	Long-term Debtors	6,567	6,567
7,995	7,995	Sundry Debtors	5,477	5,477
4,938	4,938	Council Tax	4,813	4,813
43	43	Community Charge	43	43
2,015	2,015	Housing Benefits	2,410	2,410
2,886	2,886	Housing Rents	3,941	3,941
		Other Short-Term :		
27,932	27,932	Debtors	18,905	18,905
(6,259)	(6,259)	Bad Debts Provision	(6,854)	(6,854)
43,085	43,085	Total Loans and Receivables	36,962	36,962

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 Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2012 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 2012 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%	0.349	0.226
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	1.119	0.227

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.

Heritable Bank

The latest creditor progress report issued by the administrators Ernst and Young, dated 2 May 2012 outlined that the return to creditors was projected to be between 86p and 90p in the £ and the authority has therefore decided to make an impairment based on it recovering only 88p in the £.

To the end of 2011/12 interim dividends amounting to 67.92p in the £ had been paid.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity.

Recovery had been subject to confirmation that deposits enjoyed preferential creditor status which was tested through the Icelandic courts. The Icelandic District Court and subsequently the Icelandic Supreme Court ruled that deposits placed by UK wholesale depositors have priority status in the winding up of the bank.

Following these decisions the Winding Up Board of Landsbanki made a first distribution amounting to approximately 30p in the pound in February 2012. Under the terms of the distribution proposal payment was made in a basket of currencies, Icelandic kroner, Euros, US Dollars and sterling,

The Winding Up Board announced in March 2012 that recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims by some 9%. It is therefore now considered likely that the Council will recover 100% of its deposit. The final percentage is subject to the risk and uncertainty of exchange rate fluctuations on the value of assets recovered by the Resolution Committee and on the settlement of the Authority's claim.

A position has been taken with an impairment based on recovery at 100.00p in the £.

Recognition in the CIES

The total impairment recognised in the Comprehensive Income and Expenditure Statement amounting to £0.454m (£0.503m in 2010/11 reduced by £0.049m in 2011/12), 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.

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

Bank	Credited 2010/11 £	Received 2010/11 £	Credited 2011/12 £	Received 2011/12 £
Heritable	42,705	577	23,677	680
Landsbanki	104,371	0	101,853	34,733

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 above. 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.

Note 31 Long-Term Investments

31 March 2011 £000		31 March 2012 £000
1,568	Icelandic investments	1,126
	Investments in Associates and Joint Ventures:	
2	Investment in RBT (Connect) Ltd	2
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
1,760		1,318

Note 32 Inventories

2010/11 £000		2011/12 £000
436	Balance at 1 April	538
2,775	Purchases	4,010
(2,685)	Recognised in year	(3,727)
(4)	Written on / (off) in year	(255)
16	Reversals of write offs in previous years	0
538	Balance at 31 March	566

Note 33 Construction contracts

The Council did not have any external construction contracts with third parties in progress at 31 March 2012 (Nil 2010/11).

Note 34 Debtors

	Long Term		Short Term	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Central Government Bodies	0	0	8,461	8,347
Other Local Authorities	0	0	1,005	274
NHS Bodies	0	0	1,105	532
Public corporations and trading funds	0	0	1,070	69
Other Entities and Individuals	999	6,567	27,909	19,513
Total	999	6,567	39,550	28,735

Note 35 Cash and cash equivalents

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

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

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

31 March 2011 £000		31 March 2012 £000
19,669	Cash and Bank balances	20,300
(8,457)	Bank Overdraft	(22,314)
11,212	Total Cash and Cash Equivalents	(2,014)

Note 36 Creditors

Short-term Creditors	2010/11 £000	2011/12 £000
Central Government Bodies	(20,886)	(8,347)
Other Authorities	(3,752)	(3,590)
NHS Bodies	(3,889)	(1,097)
Public corporations and trading funds	(702)	(86)
Other Entities and Individuals	(64,647)	(47,831)
Total Short Term Creditors	(93,876)	(60,951)
Long-term Creditors	2010/11 £000	2011/12 £000
Other creditors falling due after more than one year:		
Central Government Bodies	0	0
Other Authorities	0	0
NHS Bodies	0	0
Public corporations and trading funds	0	0
Other Entities and Individuals	0	(4,741)
Total Long Term Creditors	0	(4,741)
Total Creditors	(93,876)	(65,692)

Note 37 Provisions

	At 1 April 2011 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Transfer to reserve £000	Balance as at 31 March 2012 £000
Insurance Claims	(4,214)	(755)	0	0	0	(4,969)
Compensation Payments	(25)	0	0	0	0	(25)
LATS	(339)	0	0	339	0	0
Carbon Reduction Commitment	0	(393)	0	0	0	(393)
Severance Costs	(1,919)	(893)	1,919	0	0	(893)
Other	(10,336)	(6,406)	245	5,291	0	(11,206)
Total	(16,833)	(8,447)	2,164	5,630	0	(17,486)

Current Provisions	(2,437)	(7,693)	2,095	341	0	(7,694)
Long Term Provisions	(14,396)	(754)	69	5,289	0	(9,792)
Total	(16,833)	(8,447)	2,164	5,630	0	(17,486)

Comparative Year

	Balance as At 1 April 2010 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Transfer to reserve £000	Balance as at 31 March 2011 £000
Insurance Claims	(4,876)	0	505	100	57	(4,214)
Compensation Payments	(25)	0	0	0	0	(25)
LATS	(64)	(275)	0	0	0	(339)
Maltby Academy	(500)	0	500	0	0	0
Severance Costs	0	(1,919)	0	0	0	(1,919)
Other	(10,990)	(177)	831	0	0	(10,336)
Total	(16,455)	(2,371)	1,836	100	57	(16,833)

Current Provisions	(564)	(2,371)	498	0	0	(2,437)
Long Term Provisions	(15,891)	0	1,338	100	57	(14,396)
Total	(16,455)	(2,371)	1,836	100	57	(16,833)

Insurance claims

The overall Insurance Fund balance shown in the accounts is net of amounts (2011/12 Nil, 2010/11 Nil) that have been advanced internally on a short-term repayable basis.

The Council carried out a complete re-tender of its insurance arrangements in 2008. Both property and liability risks are now insured by Chartis (UK) Ltd. The contract was for three years with a two year optional extension, which was exercised. The Council is shortly to embark on a further tendering exercise to arrange new contracts to take effect from February 2013.

Only Engineering Inspection and Small Craft are presently 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, 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 our own 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, schools ICT equipment is insured on the Fund on an 'All-Risks' basis. Responsibility for insurance of departmental ICT equipment also rests with the Fund, having been relinquished by the Council's Strategic Partner, RBT (Connect) Ltd in 2010.

(g) Other Equipment

Where requested, schools' musical instruments, televisual and video equipment, Youth & Community equipment and office equipment are insured on the Fund on an 'All-Risks' basis. In addition schools can insure many other items if desired.

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

Schools PABX Equipment
'Time on Risk' Cover
The York and Lancaster Exhibition

Compensation payments

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/04. 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 2004/05 and 2007/08. 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 2012.

Severance Costs

A provision has been made for the estimated severance costs associated with reductions in staff numbers for which a detailed formal plan was in place at 31 March 2012 and a reasonable expectation had been raised that the plan will be implemented. The expectation is these costs will be settled in the first part of 2012/13.

Other

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

Note 38 Usable Reserves

The Council's usable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 12 and Notes 1 and 2.

31 March 2011 £000		31 March 2012 £000
	CAPITAL RESERVES	
(2,786)	Capital Receipts Reserve	(5,428)
0	Major Repairs Reserve	(2,657)
(25,341)	Capital Grants Unapplied Account	(20,080)
	REVENUE RESERVES	
(2,828)	General Fund - Schools	(7,359)
(8,402)	General Fund - Non Schools	(9,594)
(33,561)	Earmarked Reserves	(29,993)
(2,772)	HRA	(8,327)
(265)	Earmarked HRA Reserves	(716)
(75,955)	TOTAL USABLE RESERVES	(84,154)

(a) Capital Receipts Reserve

Income from the disposal of non current assets is credited to the Capital Receipts Reserve. The amount credited in respect of housing capital receipts is reduced by the amount the Council is required to pay over to central government under the national pooling arrangements. The Capital Receipts Reserve can only be applied to finance new capital expenditure, repay debt or meet liabilities under credit arrangements.

(b) Major Repairs Reserve

The Council is required by regulation to establish a Major Repairs Reserve. The accounting arrangements for the Major Repairs Reserve effectively result in it being credited with the major repairs allowance for the year paid through housing subsidy. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that the transfer of the major repairs allowance to the reserve and subsequent funding of capital expenditure does not affect the Housing Revenue Account.

(c) Capital Grants Unapplied Account

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

(d) General Fund

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

(e) Earmarked Reserves

Details of the earmarked reserves the Council has set aside to meet specific needs or which are ring-fenced to particular services are contained in Note 2.

(f) HRA

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

Note 39 Unusable Reserves

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

31 March 2011 £000		31 March 2012 £000
	CAPITAL RESERVES	
(446,575)	Capital Adjustment Account	(368,598)
(75,333)	Revaluation Reserve	(77,995)
(130)	Deferred Capital Receipts	(123)
	REVENUE RESERVES	
243,498	Pensions Reserve	290,735
7,426	Short term accumulating absences account	7,135
118	Financial instruments adjustment account	14
(2,724)	Collection Fund adjustment account	(3,015)
(273,720)	TOTAL UNUSABLE RESERVES	(151,847)

(a) Capital Adjustment Account

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

2010/11 £000		2011/12 £000
(681,776)	Balance 1 April	(446,575)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
449	Amortisation of Intangible Assets	74
266,294	Charges for depreciation and impairment of non-current assets	88,697
9,337	Revenue expenditure funded from capital under statute	24,429
22,488	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,612
12,399	Depreciation - Major Repairs Reserve	12,445
(804)	Write down of Met Debt deferred Liability	(884)
	Adjusting amounts written out to Revaluation Reserve:	
(1,850)	Disposal	(1,589)
(1,547)	Excess of current cost depreciation over historic cost depreciation	(1,498)
	Capital Financing Applied in the year:	
(4,382)	Use of Capital Receipts Reserve to finance capital expenditure	(36)
(15,462)	Use of Major Repairs Reserve to finance capital expenditure	(10,464)
(3,859)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
(33,576)	Application of grants to capital financing from the Capital Grants Unapplied Account	(25,509)
(10,256)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,078)
(4,030)	Capital expenditure charged against the General Fund and HRA balances	(1,222)
(446,575)	**TOTAL**	(368,598)

(b) Revaluation Reserve

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

2010/11 £000		2011/12 £000
(77,781)	Balance 1 April	(75,333)
(3,997)	Net revaluation gains/losses not charged to the Surplus / Deficit on Provision of Services	(5,749)
3,048	Impairment losses and reversals thereof not charged to the Surplus / Deficit on Provision of Services	0
(949)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(5,749)
1,850	Accumulated Gains on assets sold or scrapped	1,589
1,547	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	1,498
(75,333)	Balance at 31 March	(77,995)

(c) Deferred Capital Receipts Reserve

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

2010/11 £000		2011/12 £000
(136) 6	Balance 1 April Transfer to the Capital Receipts Reserve of cash received	(130) 7
(130)	Balance at 31 March	(123)

(d) Movements in Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

At 31 March 2012 the Council held no financial assets classified as available-for-sale.

(e) Pensions Reserve

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

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for post employment benefits attributable to the Council at the balance sheet date. The deficit represents the amount by which benefits earned by past and current employees currently exceeds the resources set aside by the Council to meet them.

Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 19.

2010/11 £000		2011/12 £000
311,246	Balance 1 April	238,068
(34,102)	Actuarial gains or losses on pensions and pensions assets and liabilities	47,521
(13,793)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,558
(25,283)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,412)
238,068	Council Balance 31 March 2012	290,735
5,430	2010 Rotherham Ltd pension liability	0
243,498	Cumulative Balance 31 March 2012	290,735

(f) Short-term Accumulated Absences Account

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

2010/11 £000		2011/12 £000
9,032	Balance 1 April	7,426
(9,032)	Settlement or cancellation of accrual made at the end of the preceding year	(7,426)
7,426	Amounts accrued at the end of the current year	7,135
(1,606)	Net amount charged to Comprehensive Income and Expenditure Statement in the year reversed out under regulation chargeable to revenue in the future when payments fall due	(291)
7,426	Balance at 31 March	7,135

(g) Financial Instruments Adjustment Account

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

General Transactions

The Code requires that unless directly attributable to a loan held at 31 March 2007 then all premium and discounts carried on the Balance Sheet at that date 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 Code also requires that where the Council has provided loans at less than market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Income and Expenditure Account. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The fair value increases over the period of the loan and the annual impact will be neutralised in the Income and Expenditure Account by the writing down of the balance on the Financial Instruments Adjustment Account.

2010/11 £000		2011/12 £000
898	Balance at 1 April	118
	Movement in year:	
(148)	Premium and discounts	(104)
(632)	Icelandic Banks	0
118	Balance carried forward at 31 March	14

(h) Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
(2,412)	Balance 1 April	(2,724)
(312)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(291)
(2,724)	Balance at 31 March	(3,015)

Note 40 Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Services

2010/11 £000		2011/12 £000
	The cash flows for operating activities include the following items:	
(942)	Interest received	(150)
31,796	Interest paid	34,926
674,581	Operating expenditure	594,551
(730,856)	Operating Income	(677,695)
(25,421)	Net cash flows from Operating Activities	(48,368)

Note 41 Cash Flow – from Investing Activities

As Restated 2010/11 £000		2011/12 £000
99,796	Purchase of property, plant and equipment, investment property and intangible assets	129,950
(4,187)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,415)
(5,432)	Proceeds from short-term and long-term investments	0
(40,175)	Capital Grants and Contributions Received	(19,399)
(14,090)	Other receipts from investing activities	(13,126)
35,912	Net cash flows from Investing Activities	94,010

The comparatives have been restated to reclassify £9m from other payments for investing activities to other payments for financing activities and £7.7m from other receipts from investing activities to other receipts from financing activities

Note 42 Cash Flow – from Financing Activities

As Restated 2010/11 £000		2011/12 £000
(321,020)	Cash receipts of short- and long-term borrowing	(417,003)
(7,701)	Other receipts from financing activities	(924)
3,310	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,110
291,020	Repayments of short- and long-term borrowing	364,999
9,785	Other payments for financing activities	15,402
(24,606)	Net cash flows from Financing Activities	(32,416)

Note 43 Capital Expenditure and Financing

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

2010/11 £000		2011/12 £000
667,876	**Opening Capital Financing Requirement**	694,654
	Capital Investment:	
89,827	Property, Plant and Equipment	61,828
938	Property, Plant and Equipment – Increase in finance lease Liability	29,098
0	Assets Held for Sale	5
24	Intangible Assets	183
450	Long Term Debtors (Capital Expenditure Loans)	7,538
9,334	Revenue Expenditure Funded from Capital under Statute	24,429
768,449		817,735
	Sources of finance	
(4,382)	Capital receipts	(36)
(37,435)	Government grants and other contributions	(25,509)
(15,462)	Major Repairs Allowance	(10,464)
	Sums set aside from revenue:	
	Direct revenue contributions:	
0	General Fund	(172)
(4,030)	Housing Revenue Account	(1,050)
(9,456)	Minimum Revenue Provision	(8,606)
(3,030)	Write down of finance lease liability	(13,135)
(73,795)		(58,972)
694,654	Closing Capital Finance Requirement	758,763

2010/11 £000	**Explanation of movements in year**	2011/12 £000
13,474	Increase in underlying need to borrowing (supported by government financial assistance)	369
15,397	Increase in underlying need to borrowing (unsupported by government financial assistance)	47,776
140	Assets acquired under finance leases	29,079
(2,232)	Assets acquired under PFI/PPP contracts	(13,116)
26,779	**Increase/(decrease) in Capital Financing Requirement**	64,108

Note 44 Leases

Council as lessee

(a) Finance leases

The Council has entered into a 35 year finance lease for a new Civic office (Riverside House) which came into operation during the course of 2011/12. It has been recognised on balance sheet during the year at its fair value of £28.965m.

The Council has also acquired a number of photo copiers and printers under finance leases.

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

	Schools Equipment £m	Riverside House £m	Total £m
Finance Lease Liability as at 31/03/11	(0.140)	0	(0.140)
New Liabilities arising in year	(0.133)	(28.965)	(29.098)
Principal repaid in year	0.026	(0.006)	0.020
Balance carried forward as at 31/03/12	(0.247)	(28.971)	(29.218)
Liabilities < 1 Year	(0.055)	(0.107)	(0.162)
Liabilities > 1 Year	(0.192)	(28.864)	(29.056)

The minimum payments to be made under Finance Leases are as follows:

	Schools minimum lease payments £m	Schools Finance lease liability £m	Riverside House minimum lease payments £m	Riverside House Finance Lease liability £m
Within one year	0.072	0.055	2.790	0.107
In the 2nd to 5th years inclusive	0.216	0.184	11.372	0.551
In the 6th to 10th years inclusive	0.010	0.008	16.023	1.072
In the 11th to 15th years inclusive			18.128	1.746
In the 16th to 20th years inclusive			20.510	2.843
In the 21st to 25th years inclusive			23.206	4.629
In the 26th to 30th years inclusive			26.255	7.539
In the 31st to 35th years inclusive			25.844	10.484

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

31/03/2011 £000		31/03/2012 £000
0	Land and buildings	28,965
140	Vehicles, Plant, Furniture and Equipment	245
140	Total	29,210

(b) Operating leases

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

2010/11 £000		2011/12 £000
3,402	Within one year	2,924
2,146	Between one year and five years	6,334
282	After more than five years	5,902

The expenditure charged to service in 2011/12 in the Comprehensive Income and Expenditure statement in relation to these leases was £3.796m (£3.872m 2010/11).

Council as lessor

(a) Finance leases

The Council has leased out property to Brinsworth and Wales Academies on finance leases of 125 years as a result of the schools being granted Academy status. Both leases are on a peppercorn rent.

(b) Operating leases

Most of the property and equipment leased out by the Council meets the definition of investment property. The rental income earned from leasing out these investment properties is disclosed in Note 21.

Note 45 Private Finance Initiative and Similar Contracts

As at 31 March 2012 the Council has in place two long-term contracts under Private Finance Initiative (PFI) arrangements and has reached financial close on one other. In addition, it has in place one partnership agreement. The partnership agreement with BT, RBT(Connect) Limited, was terminated on 31 January 2012, and the company is in the process of being dissolved.

As a result of a change to the way in which PFI Schemes and Similar Contracts were accounted for in 2009/10 on transition to IFRS, assets within the PFI Schemes or Similar Contracts were brought on Balance Sheet. The movement in the carrying value of these assets is disclosed in the Property Plant and Equipment note (Note 20a).

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 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 £14.13m 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 5 facilities are operational. Payments during the year totalled £4.05m. In the same period the Council received £1,810,796 of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008, who now manage the Borough's bereavement services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the Assets revert back to the Council for nil consideration. This is a partnership that will improve the provision of bereavement services to the Rotherham public, with significant investment having taken 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 £422,733 in 2011/12 in respect of this Partnership.

(d) RBT (Connect) Limited

As explained in the Explanatory Foreword, the Council took a decision on 8 June 2011, to seek early completion of the strategic partnership with BT and conclude the work of the highly successful joint venture.

The contract with the joint venture company, RBT (Connect) Ltd, was formally terminated on the 31 January 2012. As a consequence, the outstanding liability at that date of £9.591m has been extinguished.

(e) Waste Management PFI

The Council reached Financial Close on a joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) on 30 March 2012. The contract will provide residual waste facilities for the 3 boroughs, and is due to become operational in July 2015, when payments will commence. The Councils have been jointly awarded £77.4m PFI credits for this project. The contract will assist the Councils in achieving their overall 50% recycling targets.

(f) Movements in Finance Liabilities.

The Table below shows the movements in the Finance Liabilities during 2011/12.

	Schools PFI £m	Leisure PFI £m	Dignity PPP £m	RBT PPP £m	Total £m
Finance Lease Liability as at 31/03/11	(79.928)	(19.901)	(4.200)	(11.211)	(115.240)
Principal repaid in year	1.800	0.303	(0.198)	1.620	3.525
Finance Lease Liability written off	0	0	0	9.591	9.591
Balance carried forward as at 31/03/12	(78.128)	(19.598)	(4.398)	0	(102.124)
Liabilities < 1 Year	(1.683)	(0.292)	0.133	0	(1.842)
Liabilities > 1 Year	(76.445)	(19.306)	(4.531)	0	(100.282)

(g) Payments due to be made under PFI

	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	Dignity Finance Lease Liability £m	Dignity Finance Lease Interest £m	Dignity Service Charges £m
Within one year	1.683	6.640	4.927	0.292	2.006	1.842	(0.133)	0.447	1.511
In the 2nd to 5th years inclusive	5.717	25.041	24.084	1.300	7.806	8.054	(0.514)	2.022	6.376
In the 6th to 10th years inclusive	12.378	30.017	30.656	1.673	8.982	12.265	(0.590)	3.119	9.024
In the 11th to 15th years inclusive	17.065	25.459	36.135	1.963	7.936	14.855	(0.287)	3.948	10.549
In the 16th to 20th years inclusive	25.952	19.320	39.734	2.271	6.731	17.826	0.430	4.943	12.476
In the 21st to 25th years inclusive	15.332	7.233	13.398	4.932	5.970	18.274	1.390	5.806	14.576
In the 26th to 30th years inclusive				7.167	3.116	18.893	2.846	6.394	16.939
In the 31st to 35th years inclusive							1.256	2.017	6.370

Note 46 Capitalised borrowing costs

The Council capitalised £347,000 of borrowing costs during 2011/12 (£141,000 in 2010/11) the capitalisation rate used was 4.72% (5.15% in 2010/11).

Note 47 Contingent Liabilities

a) Municipal Mutual Insurance Ltd (MMI)

In 1992, MMI fell below the minimum regulatory solvency requirement and went into run off. The company's creditors (which includes the Council and other participating local authorities) entered into a provisional Scheme of Arrangement whereby the company would continue to meet claims whilst ever it had sufficient funds to do so. However, if at any time the company were to be unable to meet claims creditors would be liable to pay up to a maximum of the total claimed from September 1993 to date over a £50,000 threshold.

The ability of MMI to continue to achieve a solvent run off was largely contingent on the outcome of test litigation. On 28 March 2012 the Supreme Court handed down a judgement in favour of the appellants against MMI. This increases the risk that the Scheme of Arrangement will need to be activated to settle the company's liabilities thereby requiring the Council and other participating local authorities to make a one off levy payment.

As at 31 March 2012 the Council's maximum exposure representing cumulative claims settled since September 1993 was approximately £4.75m, comprising £4.440m in respect of claims lodged by the authority plus the Council's share of the run off relating to the South Yorkshire Residuary Body (SYRB) (around 20% of £1.601m, ie £320,000) - the SYRB winding up order makes provision for apportioning the liability among the four metropolitan councils in the county.

The company's Board of Directors are currently seeking, legal, financial and actuarial advice to determine the full implications of the judgement. This is a complex process and will take some time to complete. As a consequence, it is not possible to produce a reliable estimate of what levy, if any, the Council will be required to pay.

(b) Property search fees

In 2010/11 the Ministry of Justice stated that the Government would revoke the current £22 fee for a personal search by amending the Local Land Charge Rules 1977. There is a possibility that the fees received since 2005 may need to be refunded. This may total up to a maximum of £180,000

(c) 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.

Note 48 Contingent Assets

(a) Claims for recovery of tax

In response to an HMRC decision that Trade Waste provided by Local Authorities is now non business, the Council has submitted a claim for recovery of VAT of £628,000. A claim for recovery of £72,000 of VAT relating to sports activities has also been submitted. The outcome of both claims is at present uncertain.

A protective claim has also been made for recovery of Landfill Tax. The quantity and strength of the claim has yet to be determined.

(b) Overage claim

The Council, in selling land for development, has submitted a claim for overage. Overage is a sum of money additional to the original sale price which the Council is entitled to receive following completion of a sale of land if and when the buyer complies with agreed conditions.
The claim is currently being disputed by the buyer.

Note 49 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 2011 £	Income £	Expenditure £	Balance as at 31 March 2012 £
Treeton Council School War Memorial	581	23	0	604
EJ Butland, Treeton Infants	488	22	0	510
Whiston Two Wars Memorial	71	89	0	160
Total	1,140	134	0	1,274

Trust Funds – Balance Sheet

2010/11 £		2011/12 £
	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
53	- Debtors	31
1,087	- Cash	1,243
1,490	Total Assets	1,624
	Financed by:	
350	- Fund Balance	350
1,140	- Accumulated Investment Interest	1,274
1,490	Total Equity	1,624

The investments referred to above relate to War Loan Stock.

Note 50 Material items of income and expenditure

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

In 2010/11 there were three such items :

- Revaluation losses of £181m as a result of a change in the social housing discount factor used to value council dwellings (see Note 20 for further detail)

- A reduction in the Council's IAS 19 pensions liabilities of £53m as a result of the government's decision to uprate public sector pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) (one off adjustment for which there is no equivalent entry in 2011/12)
- £18m loss on disposal of non current assets as a result of the Council granting a long leases of 125 years to the Boards of two schools granted Academy status in 2010/11 (no equivalent entry in 2011/12)

In 2011/12, there is one such entry:

- As disclosed in the Explanatory Foreword, as part of the transition from the subsidy system to self financing, the Council has been required to make a one off payment of £15.188m to CLG. It is shown separately as an exceptional item on the face of the HRA.

Note 51 Other Long-term Liabilities

31 March 2011 £000		31 March 2012 £000	Notes
(111,391)	PFI Liability	(100,282)	45
(140)	Finance Lease Liability	(29,056)	44
(243,498)	Pension Liability	(290,735)	19
(13,211)	Deferred Liabilities	(12,238)	
(368,240)	Total	(432,311)	

Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 110 of this Statement refers). As at 31 March 2012 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £13,211,008 comprising £972,864 maturing within one year and £12,238,144 after that date.

Note 52 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director of Resources on 29 June 2012. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

Other Financial Statements and Notes to the Other Financial Statements

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

Metropolitan Debt Administration

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting principles, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2010/11 £000		2011/12 £000	Notes
	Expenditure		
16,189	Repairs and maintenance	15,697	
8,763	Supervision and management	13,810	
10,677	ALMO Management Fee	1,820	
34	Rents, rates, taxes and other charges	35	
15,501	Negative subsidy - payments to Secretary of State	16,702	
226,632	Depreciation and impairment of Non Current Assets	14,598	
164	Debt management costs	159	
283	Provision for bad or doubtful debts	441	10
49	Amortisation of Revenue Expenditure funded by Capital under Statute	0	11
0	Self Financing Settlement Payment	15,188	15
278,292	**Total Expenditure**	**78,450**	
	Income		
57,875	Dwelling rents	63,109	
756	Non-dwelling rents	769	
3,067	Charges for services and facilities	3,544	
14,909	HRA subsidy receivable	13,126	
76,607	**Total Income**	**80,548**	
201,685	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(2,098)	
244	HRA services share of Corporate and Democratic Core	244	
3,399	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	315	
205,328	**Net Cost of HRA Services**	**(1,539)**	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
149	Gain or loss on sale of HRA Non Current Assets	(655)	12
10,916	Interest Payable and similar charges	11,096	13
(37)	Interest receivable	(73)	
144	Pensions interest cost and expected return on pension assets	252	14
(6,568)	Capital grants and contributions receivable	(2,389)	
209,932	**Surplus (-)/Deficit (+) for the year on HRA services**	**6,692**	

Movement on the Housing Revenue Account Statement

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

	2010/11 £000			2011/12 £000
	(6,890)	Balance on the HRA at the end of the previous year		(2,772)
209,932		Surplus/Deficit for the year on HRA Income and Expenditure Account	6,692	
(206,079)		Adjustments between accounting basis and funding basis under statute	(12,698)	
3,853		Net (increase)/decrease before transfers to or from reserves	(6,006)	
265		Transfers (from)/to reserves	451	
	4,118	(Increase)/decrease in year on the HRA		(5,555)
	(2,772)	Balance on the HRA at the end of the current year		(8,327)

Notes to the Housing Revenue Account

Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2011/12	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Charges for impairment of non current assets	2,155	0	2,155
Capital grants and contributions applied	(2,389)	0	(2,389)
Revenue expenditure funded from capital under statute	0	0	0
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(655)	0	(655)
Self Financing Settlement Payment	15,188	0	15,188
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Capital expenditure charged against the General Fund and HRA balances	(1,050)	0	(1,050)
Adjustments primarily involving the Major Repairs Reserve			
Reversal of Major Repairs Allowance credited to the HRA	(675)	675	0
HRA Depreciation to the Capital Adjustment Account	0	12,445	12,445
Use of the Major Repairs Reserve to finance new capital expenditure	0	(10,464)	(10,464)
Adjustment primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged to the Comprehensive Income &			

2011/12	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(51)	0	(51)
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,039	0	1,039
Employer's pension contributions and direct payments to pensioners payable in the year	(947)	0	(947)
Short-term Accumulated Absences Account	83	0	83
Total Adjustments	**12,698**	**2,656**	**15,354**

2010/11	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Charges for impairment of non current assets	217,819	0	217,819
Capital grants and contributions applied	(6,568)	0	(6,568)
Revenue expenditure funded from capital under statute	49	0	49
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	149	0	149
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Capital expenditure charged against the General Fund and HRA balances	(4,030)	0	(4,030)

2010/11	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Adjustments primarily involving the Major Repairs Reserve			
Reversal of Major Repairs Allowance credited to the HRA	(868)	868	0
HRA Depreciation to the Capital Adjustment Account	0	12,399	12,399
Use of the Major Repairs Reserve to finance new capital expenditure	0	(15,462)	(15,462)
Adjustment primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(96)	0	(96)
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(92)	0	(92)
Employer's pension contributions and direct payments to pensioners payable in the year	(279)	0	(279)
Short-term Accumulated Absences Account	(5)	0	(5)
Total Adjustments	**206,079**	**(2,195)**	**203,884**

Note 2 Transfers to or from Earmarked Reserves

2011/12	Balance as At 1 April 2011 £000	Transfers in And Contributions To Reserves £000	Transfers out And Contributions From Reserves £000	Balance as At 31 March 2012 £000
Furnished Homes	265	451	0	716
Total	**265**	**451**	**0**	**716**

2010/11	Balance as At 1 April 2010 £000	Transfers in And Contributions To Reserves £000	Transfers out And Contributions From Reserves £000	Balance as At 31 March 2011 £000
Furnished Homes	0	265	0	265
Total	**0**	**265**	**0**	**265**

Note 3 Housing Stock at 31 March 2012

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,202	2,781	4,987
2 Bedroom	1,984	2,836	1,915	6,735
3 Bedroom	8,648	303	44	8,995
4+ Bedroom	265	10	1	276
Total	**10,901**	**5,351**	**4,741**	**20,993**

Note 4 Housing Stock Valuations

(a) Property, Plant and Equipment

	Council Dwellings £000	Land & Buildings £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation At 1 April 2011	541,826	7,829	3,613	832	554,100
Additions	11,534	171	0	15,400	27,105
Accumulated depreciation & impairment written out to gross cost/valuation	(44,769)	0	(2)	0	(44,771)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	277	0	126	0	403
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,043	0	45	0	9,088
Derecognition – disposals	(458)	(83)	(57)	0	(598)
Assets reclassified (to)/from Held for Sale	0	0	343	0	343
Other movements in cost or valuation	16,447	(115)	129	(16,232)	229
At 31 March 2012	533,900	7,802	4,197	0	545,899
Accumulated Depreciation and Impairment					
At 1 April 2011	(44,587)	(324)	0	0	(44,911)
Depreciation charge	(12,191)	(254)	0	0	(12,445)
Accumulated depreciation written out to gross cost/valuation	12,300	0	2	0	12,302
Accumulated impairment written out to gross cost/valuation	32,469	0	0	0	32,469

	Council Dwellings £000	Land & Buildings £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Impairment (losses)/reversals recognised in the Revaluation Reserve	(293)	0	0	0	(293)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(11,025)	(171)	0	0	(11,196)
Derecognition – disposals	29	5	0	0	34
Other movements in depreciation and impairments	(30)	8	(2)	0	(24)
At 31 March 2012	(23,328)	(736)	0	0	(24,064)
Net Book Value:					
At 31 March 2012	510,572	7,066	4,197	0	521,835
At 31 March 2011	497,239	7,505	3,613	832	509,189

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

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

(b) Vacant possession

	£m
Value as at 1 April 2011	1,634

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 5 Major Repairs Reserve

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

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). In 2011/12, the depreciation charged to the account less the MRA of £13.120m equals the reversal of the depreciation figure shown below (£0.675m).

2010/11 £000		2011/12 £000
2,195	Balance as at 1 April	0
12,399	Depreciation in the year	12,445
868	Reversal of depreciation in excess of MRA	675
(15,462)	Financing of Capital Expenditure	(10,464)
0	Balance as at 31 March	2,656

Note 6 Financing of Capital Expenditure

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

	2011/12 £000
Borrowing Need	19,227
Capital Receipts	0
Revenue Contributions	1,050
Government Grants / Other Capital Income	2,769
Major Repairs Reserve	10,464
Total	33,510

During the year total capital receipts of £1.370m were received by the HRA, of which £0.698m was available to support capital expenditure within the Council. To support the Housing Investment Programme (HIP) £0.020m of Right to Buy and Land receipts were used leaving an accumulated balance of £1.636m 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 7 Depreciation

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2011 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 2011 and has been calculated using the 'straight line' method over 30 years.

Note 8 Impairment

An impairment charge of £2.155m has been included in the HRA Income and Expenditure Account (£217.819m in 2010/11). 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 9 HRA Subsidy

2010/11 £000	Notional HRA for Subsidy Calculation	2011/12 £000
33,318	Management and Maintenance	33,445
13,267	Major Repairs Allowance	13,120
13,045	Charges for Capital	12,590
2	Interest on Receipts	(2)
(59,673)	Guideline Rent Income	(62,791)
(41)		(3,638)
(19)	Defects grant and prior year adjustments	62
(60)	Notional Surplus (to be paid to Government)	(3,576)

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 10 Rent Arrears & Other Provisions for Bad and Doubtful Debts

As Restated 2010/11 £000	Rent Arrears	2011/12 £000
1,076	Current Tenants	1,448
2,198	Former Tenants	2,493
3,274	As at 31 March	3,941

As at 31 March 2012, the level of rent arrears for current tenants as a proportion of gross rent income was 2.09% (1.66% 2010/11).

2010/11 £000	Bad Debt Provision in respect of rent income	2011/12 £000
2,074	As at 1 April	2,220
146	Increase in Provision	326
2,220	As at 31 March	2,546

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

Restated 2010/11 £000	Bad Debt Provision in respect of the rechargeable repairs	2011/12 £000
93	As at 1 April	130
137	Increase in Provision	115
(100)	Utilised in year	(43)
130	As at 31 March	202

Note 11 Amortisation of Revenue Expenditure financed from Capital under Statute

In 2011/12 no costs were debited to the HRA (£0. 049m in 2010/11).

Note 12 Gain or Loss on Sale of HRA Non Current 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 13 Interest Payable and Other Charges

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

Note 14 Contributions to and from the Pensions Reserve

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

Note 15 Self Financing Settlement Payment

This is a one-off payment to Central Government due to the closing down of the HRA subsidy system and is based on a calculation of the value of RMBCs housing stock as compared to it's existing housing debt. The valuation was higher than the debt supported by HRA subsidy resulting in the Council being required to make a payment to Central Government.

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 2012

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000	Note
89,104		Council Tax	89,512		
22,433	111,537	Council Tax Benefits	22,633	112,145	
	61,183	National Non-Domestic Rates		69,237	2
	172,720	Total Income		181,382	
		Precepts			
94,460		Rotherham Borough Council	94,793		
9,934		South Yorkshire Police Authority	9,966		
4,517	108,911	South Yorkshire Fire & Civil Defence	4,532	109,291	
	1,662	Distribution of Collection Fund Surplus		1,890	
	60,141	Contribution to NNDR Pool		68,374	
		Bad Debts			
318		NNDR	(147)		
511		Council Tax	344		
0	829	Community Charge	0	197	
	252	Council Tax Write-Offs		213	
	413	NNDR Write-Offs		701	
	311	Collection Costs – NNDR		309	
	172,519	Total Expenditure		180,975	
	(201)	(Surplus) / Deficit for the year		(407)	

THE COLLECTION FUND BALANCE

2010/11 £000		2011/12 £000	Note
(2,868) (201)	Balance as at 1 April (Surplus) / Deficit for the year	(3,069) (407)	
(3,069)	Balance as at 31 March	(3,476)	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 2011/12 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	35,603	6/9	34,535
B	14,980	7/9	14,531
C	11,535	8/9	11,189
D	7,649	9/9	7,420
E	4,748	11/9	4,606
F	2,174	13/9	2,109
G	896	15/9	869
H	55	18/9	53
	77,640		75,312

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 £69,237,398 for 2011/12 (£61,182,850 in 2010/11) after allowing for reliefs and provisions was based on a total rateable value of £185,223,258 (£185,950,371 as at 31 March 2011) and a national multiplier of 43.3 pence in the pound and a small business rating multiplier of 42.6 pence in the pound (41.4 pence and 40.7 pence respectively in 2010/11).

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 2011/12 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 2012 (£3.476m) 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:

2010/11 £000		2011/12 £000
2,724	Billing Authority – Rotherham MBC	3,015
	Major Precepting Authorities:	
237	- South Yorkshire Police Authority	317
108	- South Yorkshire Fire and Civil Defence Authority	144
3,069	Total	3,476

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.

2010/11 £000	Capital Account	2011/12 £000
(12,097)	Cash at bank 1 April	(11,503)
(108)	Transfer to/(from)Financial Instruments Adjustments Account	(108)
27	Adjustment to loans outstanding for interest accruals	(13)
5,600	Add: Expenditure in the year – Loans repaid	0
(6,578)		(11,624)
	Less Income:	
0	Loans raised	0
4,925	Repayments by Relevant Authorities	5,417
(11,503)	(+)Cash Overdrawn / (-)Cash at bank 31 March	(17,041)

2010/11 £000	Revenue Account	2011/12 £000
5,802	Interest Paid on Outstanding Loans	5,720
124	Management and other expenses	124
5,926		5,844
	Less Income:	
56	Notional Interest	80
5,870		5,764
5,870	Recharge to Relevant Authorities	5,764
0		0

2010/11 £000	Balance Sheet as at 31 March	2011/12 £000
	Capital Liabilities	
98,253	Loans Outstanding	98,266
(11,503)	(+)Cash Overdrawn / (-)Cash at bank	(17,041)
86,750		81,225
	Capital Assets	
86,334	Advances Outstanding	80,917
	Reserves	
416	Financial Instruments Adjustments Account (FIAA)	308
86,750		81,225

Note 1 Financial Instruments – Balances

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

	Long Term		Short Term	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 20112 £000
Financial liabilities (principal amount) - PWLB	96,412	96,412	0	0
Financial liabilities at amortised cost - PWLB	96,412	96,412	1,841	1,854
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 2011 £000		31 March 2012 £000
1,841	Less than one year	1,854
0	Between one and two years	0
59,412	Between two and seven years	60,223
37,000	Between seven and nine years	36,189
98,253		98,266

Note 3 Financial Instruments – Fair Values

The fair values of the financial instruments are as follows:

31 March 2011			31 March 2012	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
98,253	114,533	Financial Liabilities – Debt	98,266	122,991
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.

2010/11 £000		2011/12 £000
524	Balance at 1 April	416
	Movement in year	
(108)	Premium and discounts	(108)
416	Balance carried forward at 31 March	308

Note 5 Authorised Limit and Operational Boundary

The Council's operational boundary for external debt for the year was £96.412m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £100.000m.

Accounting Policies

A) Statement of Accounting Policies

B) Accounting Standards issued but not yet adopted

C) Critical Judgements in applying Accounting Policies

D) Assumptions made about the future and other major sources of estimation

A Statement of Accounting Concepts and Policies

1 General

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

The International Accounting Standards Board Framework sets out the concepts that underlie the preparation and presentation of financial statements. Such concepts are the foundation on which financial statements are constructed and provide a platform from which accounting standards are developed.

The Framework is not an accounting standard but specifies that there are two fundamentally important assumptions on which financial statements are based:

- The accrual basis of accounting
- The going concern basis

In deciding what information to include in the accounts, when to include it and how to present it, the aim is to ensure information is useful to the users of the accounts in making economic decisions. To ensure the information is useful four qualitative attributes are applied that leads to accounts that are:

- Understandable
- Relevant
- Reliable
- Comparable

Relevance is affected by its nature and materiality. Rather than representing a qualitative attribute, materiality provides a threshold against which the Council assesses whether the true and fair view and understanding of the financial statements would be affected by the inclusion or exclusion of the information.

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. Consistent policies will be applied both within the year and between years. Where policies have changed the reason and effect is disclosed. The policies are presented to the Council's Audit Committee for approval.

2 Changes in Accounting Policies and Estimates and Errors

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

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

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

The only change in accounting standards which impacts on 2011/12 is the adoption of FRS 30 Heritage Assets. The Council's policy is to bring them on balance sheet at valuation, if material. However, the Council does not have sufficient reliable information to determine whether or not heritage assets are material and the change in policy has therefore not yet been implemented. Further detail on the Council's heritage assets is provided in Accounting Policy Note 21

New standards that have come into effect on or before 1 January 2012 which are to be adopted in the 2012/13 version of the Code and will therefore apply to the 2012/13 financial year, together with an estimate of the financial effect of their adoption, if known, are disclosed in Note B on Page 133.

3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made. 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.
- Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

4 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment and Assets Held for Sale.
- 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.

The first two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

5 <u>Debtors</u>

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are usually recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 22). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

6 <u>Creditors</u>

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 22). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

7 <u>Tax Income (Council Tax, Residual Community Charge, National Non-Domestic Rates and Rates)</u>

<u>Council Tax</u>

Council tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the year's accrued income plus the Council's share of the Collection Fund surplus/deficit at the previous year end. The difference between this and the General Fund Council Tax income is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

<u>National Non-Domestic Rates (NNDR)</u>

NNDR collection is an agency arrangement. No income is included other than the cost of collection allowance received together with any costs raised to taxpayers over and above the NNDR due. A creditor represents the amount collected on behalf of the Government but not yet paid over whilst a debtor represents the amount overpaid.

<u>Residual Community Charge</u>

Income adjustments are included within the Collection Fund; they are borne entirely by the Council and are excluded from the Collection Fund surplus/deficit.

8 <u>Inventories</u>

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

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

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

9 Work in Progress (Construction Contracts)

Where the Council acts as a contractor, if the outcome of a construction contract can be estimated reliably, the percentage of completion method is used to recognise revenue and expenses. Contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed.

If the outcome cannot be estimated reliably revenue is recognised only to the extent it is probable costs will be recoverable, and costs are recognised as an expense in the period incurred. When the uncertainties no longer exist, revenue and expenses are recognised using the percentage of completion method.

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

10 Cash and Cash Equivalents

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

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

11 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

(a) Equal Pay

The Council has made a provision for the costs of settling claims for back pay arising from payments incurred before the Council implemented its equal pay strategy. The impact has been neutralised within the revenue account by capitalising the cost following the receipt of a Government capitalisation directive.

(b) Landfill Allowances ST

Allowances are recognised as current assets, their value being initially measured at fair value. Allowances are issued free by DEFRA and fair value is accounted for as a government grant.

As landfill is used a liability is recognised for actual usage and this is recognised as a provision. The liability is discharged by using allowances, paying a cash penalty or a combination and is measured at the best estimate required to meet the obligation.

Re-measurement of allowances is on a lower of cost and net realisable value basis. Where there is no evidence of an active market, both are estimated at nil.

Contingent Liability

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

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

Contingent Asset

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

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

12 Reserves

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

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

13 Government and Non-Government Grants

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

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

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

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

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

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

14 Non-current Assets – Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Borrowing Costs - The Council has adopted a policy under IAS 23 ‘Borrowing Costs’ to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The change in policy has been applied from 1 April 2009. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are that are to be capitalised.

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

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

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

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

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

Impairment of Assets

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

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

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

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

Disposals

The carrying amount of an item is derecognised:

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets held solely for capital appreciation purposes are reclassified as investment properties.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings 30 Years or Major Repairs Allowance (MRA) if MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non operational properties up to 100 years)
- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation is being introduced with effect from 1 April 2010 as assets are acquired, enhanced, replaced or revalued.

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

15 Charges to Revenue for Non-Current Assets

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

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

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

Minimum Revenue Provision (MRP)

Minimum Revenue Provision is a proper charge to the General Fund.

The Department of Communities and Local Government (CLG) has made Regulations that require Full Council to approve an MRP Statement in advance of 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 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 since 2007/08 where the expenditure is funded by both supported and unsupported borrowing will be calculated using the methods of calculation prescribed in statutory MRP guidance over the expected useful life of the asset at the point the asset is brought into use; and

(c) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by a 'capitalisation directive' (e.g. equal pay) will be calculated on the basis of equal instalments over the specified period(s) set down within the regulations.

16 Leases and Lease-Type Arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Leases for land having an indefinite useful life are treated as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

(a) Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

(b) Operating Leases

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

<u>The Council as Lessor</u>

(a) Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

(b) Operating Leases

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

17 **PFI and PPP Arrangements**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – these are based on the planned lifecycle replacement of major components within the PFI operator's financial model. These are recognised as additions to Property, Plant and Equipment when the relevant works are carried out. Differences between the actual amount or timing of the relevant works from that planned within the operator's financial model are adjusted for so that the gain or loss that arises is recognised over the period over which the Council benefits from the capital investment

18 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

19 Intangible Assets

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

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

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

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

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

20 **Revenue Expenditure Funded from Capital under Statute**

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

21 **Heritage Assets**

Heritage assets are intended to be preserved in trust for future generations because of artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet where information on cost or value is available and the aggregate value is material.

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

Given the specialist nature of the Council's heritage assets and lack of active market data, obtaining up to date and reasonably accurate valuations for the 2011/12 accounts was considered resource intensive and expensive. As such, at this stage, the Council does not have sufficient reliable information to determine whether or not heritage assets are material. Accordingly, in accordance with the Code, the Council has elected not to recognise them on balance sheet. A valuation programme has commenced focussing on higher value items first which should provide sufficient information to assess materiality and determine whether heritage assets should be separately recognised in the 2012/13 accounts.

22 **Financial Instruments**

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

(a) Loans and Receivables

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

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for – Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Instruments Entered Into Before 1 April 2006

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

23 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Pension strain costs are charged to Non Distributed Costs. However, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. An appropriation is therefore made to or from the Pensions Reserve via the Movement in Reserves Statement to effect this adjustment.

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by South Yorkshire Pensions Authority

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

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

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

- The liabilities of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.9 % (2010/11 5.5%) (based on the indicative rate of return on high quality corporate bonds, including: UK Index Linked Bonds, UK Fixed Rate Bonds and Government Bonds). In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension

- The assets of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

24 Repayment of Debt – Metropolitan Debt

Principal repayments are based on a 10% Sinking Fund using a methodology prescribed in Statutory Instrument 1986 No. 437 and will be extinguished by 2020/21.

25 Value Added Tax (VAT)

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

26 Events after the Reporting Period

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

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

Events taking place after the date the Strategic Director of Resources authorises the Accounts for issue are not reflected in the Statement of Accounts.

27 Exceptional Items

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

28 Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities this may require it to prepare group accounts. The definition of an associate has been widened and is based on the ability to control rather than actual control. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

B) Accounting Standards issued but not yet adopted

The only change to accounting standards to which this applies is the adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the Code in 2012/13. The new disclosure requirements apply to transferred financial assets that are not derecognised or where an authority has a continuing involvement in a transferred asset. Such transactions occur only infrequently in local authorities and CIPFA consider it unlikely that this standard will have a material impact on the financial statements of local authorities. The Council has not entered into any such transactions and is not likely to do so in the foreseeable future.

C) Critical Judgements in applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority had £1.95m deposited with Landsbanki Islands hf, an Icelandic banking entity which collapsed in October 2008. Decisions by the Icelandic courts have confirmed the deposit has preferred creditor status. Following these decisions the Winding Up Board of Landsbanki made a first distribution in February 2012. The Winding Up Board announced in March 2012 that recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims and it is now considered likely that the Council will recover 100% of its deposit.

  The Authority also had £1.80m deposited with Heritable Bank plc (a UK subsidiary of Landsbanki Islands hf,) when it went into administration in October 2008. Repayments continue to proceed in an orderly manner with an expectation that 88p in the pound will be recovered.

- Riverside House lease – The Council entered into a 35 year lease for a new Civic office (Riverside House) which came into operation during the course of 2011/12. In accordance with accounting standards, an assessment was carried out at the inception of the lease as to whether it was a finance or operating lease, and, hence, whether or not it should be brought onto the Council's balance sheet. The clear conclusion reached was that as the risks and rewards of ownership are transferred to the Council, the lease is a finance lease, and, as a consequence, has been brought on balance sheet at its fair value of £28.965m

- MMI - The finding of the Supreme Court judgement on 28 March 2012 in favour of the appellants against MMI increases the risk that the Scheme of Arrangement to settle the company's liabilities will come into effect thereby requiring the Council and other participating local authorities to make a one off levy payment. The company's Board of Directors are currently seeking, legal, financial and actuarial advice to determine the full implications of the judgement. This is a complex process and will take some time to complete. As a consequence, it is not possible to produce a reliable estimate of what levy, if any, the Council will be required to pay. It has therefore been treated as a contingent liability

- School buildings – The CIPFA / LASAAC consultation on which types of schools should be recognised on the Council's balance sheet has proved inconclusive. Accordingly, the Council has followed previous guidance contained in LAAP Bulletin 88 in determining that community schools should be on balance sheet but that foundation schools, voluntary aided and voluntary controlled schools should not. A review group is being set up to develop guidance that will enable local authorities to account for schools in accordance with accounting standards, and where possible, on a consistent basis in the future.

D) Assumptions made about the future and other major sources of estimation

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

Included in the Council's Balance Sheet at 31 March 2012 is an estimated pensions liability of £290.7m. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used to determine pension fund liabilities, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and expected returns on pension fund assets. Changes to these assumptions can have a material effect as illustrated by the fact the Council's estimated liability fell by £52.9m in 2010/11 as a result of the government's announcement that public sector pensions would be up-rated at CPI rather than RPI with effect from 1 April 2011. A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

Additional Information

Audit Certificate

Glossary

Independent auditor's report to the members of Rotherham Metropolitan Borough Council

We have audited the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2012 on pages 11 to 134. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the Authority, 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 the members of the Authority, 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 the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director of Resources and auditor

As explained more fully in the Statement of the Strategic Director of Resources' Responsibilities, set out on page 1, the Strategic Director of Resources is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword and the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

Certificate

We certify that we have completed the audit of the financial statements of Rotherham Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Stephen Clark
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

Date:27th September 2012

GLOSSARY

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

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.

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

The proceeds from the disposal of land or other Non Current Assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

DEDICATED SCHOOLS GRANT (DSG)

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 in a reserve for a specific purpose.

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

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

FEES AND CHARGES

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This reserve 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.

GENERAL FUND SERVICES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Authority owes payment to an individual or another organisation.
- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:
- Readily convertible to known amounts of cash at or close to the carrying amount; or
-Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

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 (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NEGATIVE SUBSIDY

If the Subsidy Housing Revenue Account produces a result, which assumes that the Authority's income is higher than its expenditure, a “negative subsidy” situation arises. In this case the Authority must pay an amount equivalent to the deficit, from its Housing Revenue Account to the government.

NET BOOK VALUE

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NET EXPENDITURE

Gross expenditure less specific grants and income for charging for services.

NET REALISABLE VALUE

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting polices or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITATIVE (PFI)

A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENCE

Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

PRUDENTIAL CODE

Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, finance teams are required to take account of the CIPFA Prudential Code.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment

REVALUATION RESERVE

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non Current Assets.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits form the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the end of the financial year.

A summary of this document can be made available in your language and in alternative formats such as Braille, large print, electronic and audio-tape versions. Contact us at:

Email: central.finance@rotherham.gov.uk

''If you or someone you know needs help to understand or read this document, please contact us'':

☎: 01709 822022 :central.finance@rotherham.gov.uk

Minicom: 01709 823536

Slovak **Slovensky**

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

ئەگەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بەیارمەتی هەبێت بۆ ئەوەی لەم بەڵگەنامە یە تێبگات یان بیخوێنێتەوە، تکایە پەیوەندیمان پێوە بکە لەسەر ئەو ژمارەیەی سەرەوەدا یان بەو ئیمەیڵە.

Arabic عربي

إذا كنت انت أواي شخص تعرفه بحاجة إلى مساعدة لفهم أوقراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

Urdu أرد و

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

Farsi فارسی

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

Financial Services
Resources Directorate, Riverside House,
Main Street,Rotherham, S60 1AE

Tel: (01709) 822002 Fax: (01709) 822008
E-mail: Andrew.bedford@rotherham.gov.uk
Email the Council for **free** @ your local library!

Appendix 3

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

26th September 2012

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Rotherham Metropolitan Borough Council ("the Authority") for the year ended 31 March 2012, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

- give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

The Authority has provided you with all information in relation to Digital Region Ltd that is relevant to the preparation of the financial statements, such as records, documentation and other matters it is aware of. All transactions in relation to Digital Region Ltd have been recorded in the financial statements.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In

particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. The Authority has disclosed to you all information in relation to:

(a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

(b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,
- have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 26th September 2012.

Yours faithfully,

Councillor Sangster - Chair of the Audit Committee

Andrew Bedford – Strategic Director of Resources

<u>Appendix A to the Management Representation Letter of Rotherham Metropolitan Borough Council: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue, and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

a) entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (ie subsidiaries);

b) associates;

c) joint ventures in which the authority is a venture;

d) an entity that has an interest in the authority that gives it significant influence over the authority;

e) key management personnel, and close members of the family of key management personnel; and

f) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

The following are deemed not to be related parties by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12:

a) providers of finance in the course of their business in that regard and trade unions in the course of their normal dealings with an authority by virtue only of those dealings; and

b) an entity with which the relationship is solely that of an agency.

Related party transaction

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**26th September 2012**
3.	**Title:**	**Annual Treasury Management Report and Actual Prudential Indicators 2011/12**
4.	**Directorate:**	**Resources**

5. Summary

The Council received an annual treasury strategy in advance of the 2011/12 financial year and also received a mid year report representing a mid year review of treasury activity.

The annual treasury management report is the final treasury report for 2011/12 Its purpose is to review the treasury activity for 2011/12 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2011/12 in accordance with the requirements of the Prudential Code.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

6. Recommendation

Audit Committee is asked to approve the Annual Treasury Management Report.

7. Proposals and Details

The Strategic Director of Resources has delegated authority to carry out treasury management activities on behalf of the Council and this report is produced in order to comply with the CIPFA Code of Practice in respect of Treasury Management in Local Authorities and the “Prudential Code”.

8. Finance

Treasury Management forms an integral part of the Council’s overall financial arrangements.

9. Risks and Uncertainties

Regular monitoring will ensure that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

10. Policy and Performance Agenda Implications

Effective treasury management will assist in delivering the Council’s policy and performance agenda.

11. Background Papers and Consultation

CIPFA – Code of Practice for Treasury Management in the Public Services
Local Government Act 2003 (as updated 2011)
CIPFA – Prudential Code (as updated 2011)

Contact Names:

Derek Gaffney, Chief Accountant, ext 7422005 or 22005.
derek.gaffney@rotherham.gov.uk

Simon Tompkins, Finance Manager (Accountancy Services), ext 54513,
simon.tompkins@rotherham.gov.uk

Annual Report on the Treasury Management Service and Actual Prudential Indicators 2011/12

Executive Summary

During 2011/12 the Council complied with its legislative and regulatory requirements in terms of setting, monitoring and reporting on its prudential indicators for the year.

Indicators are set prior to the start of the financial year and reflect the known position at that time. Approved changes to the capital programme and its funding throughout the financial year, together with variations in treasury management activity, does mean that actual indicators for the year may vary from the initial projections made prior to the start of the financial year. However by regularly monitoring these indicators the Council is able to ensure the impact is known and managed through the Medium Term Financial Strategy.

The actual prudential indicators for 2011/12, with comparators, are as follows:

	2011/12 Actual £m	2011/12 Revised Indicator £m	2011/12 Original Indicator £m	2010/11 Actual £m
Capital Expenditure	93.983	102.262	63.911	99.635
Capital Financing Requirement: - Non-HRA	323.461	325.687	312.079	294.410
Capital Financing Requirement: - HRA	288.771	288.791	290.460	284.865
HRA Settlement	15.188	15.188	-	-
Total excluding PFI and similar arrangements	627.420	629.666	602.539	579.276
Cumulative adjustment for PFI and similar arrangements	131.343	142.141	114.146	115.379
Total including PFI schemes and similar arrangements	758.763	771.807	716.685	694.655
	%	%	%	%
Financing Costs as a proportion of Net Revenue Stream: Non-HRA	7.99	9.20	9.90	8.61
HRA	13.75	13.98	15.78	14.20

The main reasons for the change in the actual indicators, from those originally set in March 2011 and subsequently revised in March 2012 are as follows:

- Due to re-profiling actual capital expenditure in the year was less than anticipated. This change which led to a change in borrowing need gave rise to a reduction in the Capital Financing Requirement at the end of the year when compared to the estimated position.

- The impact of the reduced borrowing need and on-going prudent treasury management activity gave rise to corresponding reductions in the other indicators when compared to the estimated position.

The Strategic Director of Resources also confirms that borrowing was only undertaken for a capital purpose and the Statutory Borrowing Limit, the Authorised Limit, was not breached.

At 31 March 2012, the Council's external debt totalled £471.540m (£437.636m at 31 March 2011) and its investments totalled £1.921m (£2.846m at 31 March 2011).

At 31 March 2012, the Former South Yorkshire County Council external debt totalled £96.412m (£96.412m at 31 March 2011). The Former SYCC had no investments at that date (nil at 31 March 2011).

1. Introduction

1.1 This report summarises:

- the capital activity for the year;
- how this activity was financed;
- the impact on the Council's indebtedness for capital purposes;
- the Council's overall treasury position;
- the reporting of the required prudential indicators;
- debt activity; and
- investment activity.

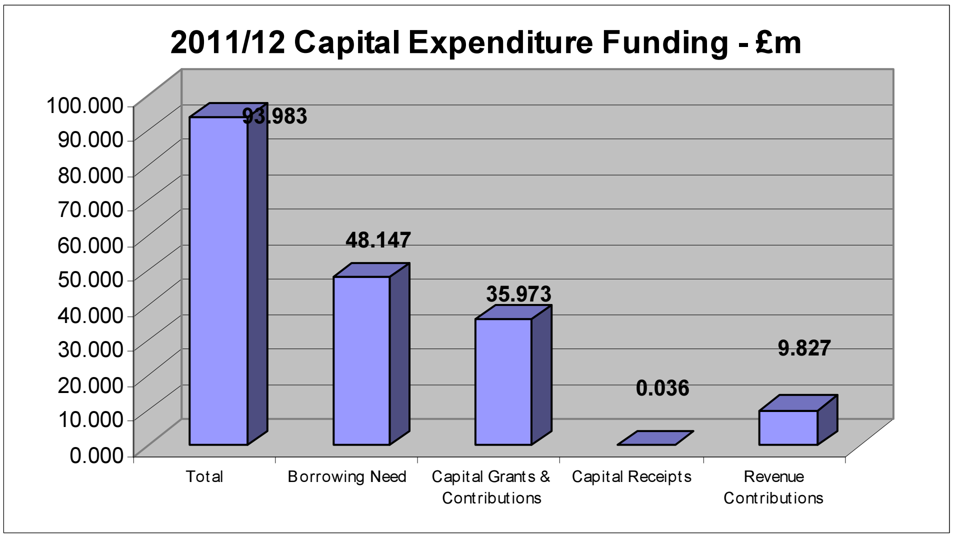
2. The Council's Capital Expenditure and Financing 2011/12

2.1 The Council undertakes capital expenditure on long term assets. These activities may either be:

- Financed immediately through capital receipts, capital grants etc.; or
- If insufficient financing is available the expenditure will give rise to a borrowing need.

2.2 Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance. The primary objective is security ahead of liquidity and then yield or return. Wider information on the regulatory requirements is shown in Section 8.

2.3 The actual capital expenditure forms one of the required prudential indicators. The graph below also shows how this was financed.



3. The Council's Overall Borrowing Need

3.1 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. It represents 2011/12 and prior years net capital expenditure which has not yet been paid for by revenue or other resources.

3.2 The Non-HRA element of the CFR is reduced each year by a statutory revenue charge (called the Minimum Revenue Provision - MRP). The total CFR can also be reduced by:

- the application of additional capital resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

CLG Regulations require Full Council to approve an MRP Statement in advance of each year. Detailed rules have been replaced by a single duty to charge an amount of MRP which the Council considers 'prudent'. The Council, in considering the 2012/13 Treasury Management strategy at its meeting on 7 March 2012, approved the following revised MRP policy in relation to the charges for 2011/12 and 2012/13:

(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 since 2007/08 where the expenditure is funded by both supported and unsupported borrowing will be calculated using the expected useful life of the asset at the point the asset is brought into use. The calculation of the provision will be either the annuity method or the equal instalments method depending on which is most appropriate; and

(c) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by a 'capitalisation directive' (e.g. equal pay) will be calculated on the basis of the specified period(s) set down within the regulations. The calculation of the provision will be either the annuity method or the equal instalments method depending on which is most appropriate.

3.3 In addition to showing the Council's underlying borrowing need, following changes to accounting rules in 2009/10, the CFR also includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. A further one off adjustment has also been made this year as a result of HRA reform which led to the Council paying CLG £15.188m in March 2012.

CFR (£m)	**31 March 2012 Actual £m**	**31 March 2012 Revised Indicator £m**	**31 March 2012 Original Indicator £m**	**31 March 2011 Actual £m**
Opening balance (excluding on-balance sheet PFI and similar arrangements)	579.276	579.276	586.072	550.405
Plus increase in borrowing need	41.562	43.729	27.339	38.327
Less MRP/VRP/Met Debt Principal Repayment	-8.606	-8.606	-10.872	-9.456
HRA settlement	15.188	15.188	-	-
Closing balance (excluding on-balance sheet PFI and similar arrangements)	627.420	629.587	602.539	579.276
Closing balance (excluding on-balance sheet PFI and similar arrangements)	**627.420**	**629.587**	**602.539**	**579.276**
Plus cumulative PFI adjustments	131.343	142.220	114.146	115.379
Closing balance (including on-balance sheet PFI and similar arrangements)	**758.763**	**771.807**	**716.685**	**694.655**

3.4 Actual capital expenditure in 2011/12 which was funded by borrowing was less than had been estimated. As a result the Council's closing CFR was lower than that approved as the revised indicator for the year.

4. Treasury Position at 31 March 2012

4.1 Whilst the Council's gauge of its underlying need to borrow is the CFR, the Strategic Director of Resources and the treasury function can manage the Council's actual borrowing position by either:

- borrowing to the CFR (excluding the impact of PFI and similar contracts); or
- choosing to utilise some temporary internal cash flow funds instead of borrowing (under-borrowing); or
- borrowing for future increases in the CFR (borrowing in advance of need).

4.2 It should be noted that accounting practice defined by the Code of Practice requires financial instruments in the accounts (debt and investments etc.) to be measured in a method compliant with International Financial Reporting Standards. The figures in this report are based on the amounts borrowed and invested and so may differ from those shown in the final accounts by items such as accrued interest.

4.3 The expectation for 2011/12 had been that borrowing would have been mainly in line with the estimated borrowing need for the year whilst partly reducing the Council's 31 March 2011 under-borrowed position. The continued volatility in the financial markets was such that the most prudent approach was to continue to utilise temporary cash flow funds instead of borrowing. The Council's treasury position at the 31 March 2012 compared with the previous year was:

RMBC Treasury position	31 March 2012		31 March 2011	
	Principal £m	**Average Rate %**	**Principal £m**	**Average Rate %**
Fixed Interest Rate Debt *	355.540	4.94	326.636	5.07
Variable Interest Rate Debt **	116.000	4.09	111.000	4.13
Total Debt	471.540	4.73	437.636	4.83
Fixed Interest Investments	1.921	*** 0.00	2.846	*** 0.00
Variable Interest Investments	0	0.00	0	0.00
Total Investments	1.921	0.00	2.846	0.00
Net borrowing position	**469.619**		**434.790**	

* Includes all debt where the interest rate is fixed for the whole of the following financial year
** Includes all debt where the interest rate may be subject to interest rate variation on specified dates during the following financial year
*** The investments shown represent the principal outstanding on the Council's Icelandic investments hence the average rate is shown as zero

4.4 Against the Council's Capital Financing Requirement (£627.420m), the Council's outstanding debt levels (£471.540m) are lower than this Requirement by approximately £156m due to the Council's prudent and sensible approach to utilise temporary cash flow funds rather than take out additional borrowings. A Council is generally allowed to borrow up to its CFR.

4.5 The Council's net borrowing position reflects the capital spend that is yet to be financed from revenue or other resources as it is to be repaid over a prudent and affordable period in line with the Council's Minimum Revenue Provision Policy.

4.6 The former SYCC's treasury position at the 31 March 2012 compared with the previous year was:

Former SYCC Treasury position	31 March 2012		31 March 2011	
	Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Interest Rate Debt *	96.412	5.92	96.412	5.92
Variable Interest Rate Debt **	0	0.00	0	0.00
Total Debt	96.412	5.92	96.412	5.92
Fixed Interest Investments	0	0.00	0	0.00
Variable Interest Investments	0	0.00	0	0.00
Total Investments	0	0.00	0	0.00
Net borrowing position	**96.412**		**96.412**	

* Includes all debt where the interest rate is fixed for the whole of the following financial year

** Includes all debt where the interest rate may be subject to interest rate variation on specified dates during the following financial year

5. Prudential Indicators and Compliance Issues

5.1 Some of the prudential indicators provide either an overview or specific limits on treasury activity. These are shown below:

5.2 **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not therefore, except in the short term, exceed the CFR for 2011/12 plus the expected changes to the CFR over 2012/13 and 2013/14. The table below highlights the Council's net borrowing position against the CFR and demonstrates that the Council has complied with this prudential indicator, i.e., the Council's net borrowings are lower than its CFR.

RMBC Treasury Position	31 March 2012 Actual £m	31 March 2012 Revised Indicator £m	31 March 2012 Original Indicator £m	31 March 2011 Actual £m
Net borrowing position	469.619	481.664	464.103	434.790
CFR (excluding PFI and similar arrangements)	627.420	629.587	602.539	579.275

5.3 **The Authorised Limit** - The Authorised Limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2011/12 the Council has maintained gross borrowing within its Authorised Limit, both excluding and including the impact of bringing PFI and similar arrangements on to the Council's Balance Sheet.

Authorised Limit	RMBC £m	Former SYCC £m	Total £m
Original Indicator – Authorised Limit	729.518	96.412	825.930
Revised Indicator – Authorised Limit	790.334	100.000	890.334
Actual indicator – Maximum gross borrowing position – External Debt only	496.990	96.412	593.402
Actual indicator - Maximum gross borrowing position – External Debt plus PFI and similar arrangements	653.383	96.412	749.795

5.4 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The table below demonstrates that during 2011/12 the Council has maintained its borrowing position within its Operational Boundary, both excluding and including the impact of bringing PFI and similar arrangements on to the Council's Balance Sheet.

Operational Boundary for External Debt	**RMBC £m**	**Former SYCC £m**	**Total £m**
Original Indicator - Operational Boundary	611.837	96.412	708.249
Revised Indicator - Operational Boundary	660.661	96.412	757.073
Actual indicator - Average gross borrowing position - External Debt only	447.877	96.412	544.289
Actual indicator - Average gross borrowing position - External Debt plus PFI and similar arrangements	602.717	96.412	699.129

5.5 **Actual financing costs as a proportion of net revenue stream** - This indicator identifies the trend in the cost of capital (borrowing and the cost of other long term obligations but net of investment income) against the Council's Budget Requirement (net revenue stream) for the General Fund and budgeted income for the HRA.

5.6 Both indicators show a reduction reflecting an overall fall in borrowing costs. Whilst the share of these costs is approximately equal (as reflected by the respective CFRs) the HRA has a lower net revenue stream and therefore the impact on the indicator is greater.

Rotherham MBC	**2011/12 Actual**	**2011/12 Revised Indicator**	**2011/12 Original Indicator**
Financing costs as a proportion of net revenue stream:			
Non HRA	7.99	9.20	9.90
HRA	13.75	13.98	15.78

5.7 **Incremental impact of Capital Investment Decisions –** Two indicators are used to highlight the trend in cost arising from changes to the Council's capital investment plans:

- the impact on Council Tax Band D levels as already budgeted for within the Council's MTFS of changes to the General Fund capital programme, and
- the impact on weekly rent levels arising from changes in the housing capital programme

Rotherham MBC	**2011/12 Actual**	**2011/12 Revised Indicator**	**2011/12 Original Indicator**
Incremental impact of capital investment decisions on the Band D council tax	£25.09	£25.34	£23.73
Incremental impact of capital investment decisions on the Housing Rent Levels	£0.00	£0.00	£0.00

The incremental impact of capital investment decisions on the Band D council tax is in line with the revised indicator. This reflects the fact that the actual borrowing need in 2011/12 is consistent with the revised forecast. As expected, there is no incremental impact of capital investment on HRA rent levels.

5.8 **Treasury Management Indicators and Limits on Activity**

5.8.1 **Upper limits on fixed and variable interest rates as at 31 March 2012** – These indicators identify the maximum limits for fixed interest rate gross debt and for variable interest rates based upon the debt position, net of investments. The table confirms the Council remained within the limits set.

Rotherham MBC	**2011/12 Actual**	**2011/12 Revised Indicator**	**2011/12 Original Indicator**	**2010/11 Actual**
Upper limit on fixed interest rates	81.69%	100%	100%	83.96%
Upper limit on variable interest rates based on net debt	25.36%	30%	30%	26.18%

Former SYCC	2011/12 Actual	2011/12 Revised Indicator	2011/12 Original Indicator	2010/11 Actual
Upper limit on fixed interest rates	100%	100%	100%	100%
Upper limit on variable interest rates based on net debt	0%	30%	30%	0%

5.8.2 **Maturity structure of fixed rate borrowing during 2011/12 –** These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. The position as at 31 March 2012 is shown in the table below.

	RMBC				
	Original Indicator %		Revised Indicator %		Actual %
	Lower	Upper	Lower	Upper	
Under 12 months	0	20	0	20	2.01
12 months to 2 years	0	25	0	25	0.60
2 years to 5 years	0	30	0	30	14.47
5 years to 10 years	0	35	0	35	15.18
10 years to 20 years	0	40	0	40	9.14
20 years to 30 years	0	45	0	45	9.86
30 years to 40 years	0	50	0	50	2.89
40 years to 50 years	10	60	10	60	22.80
50 years and above	15	100	15	100	23.05

	Former SYCC				
	Original Indicator %		Revised Indicator %		Actual %
	Lower	Upper	Lower	Upper	
Under 12 months	0	50	0	50	0
12 months to 2 years	0	70	0	70	0
2 years to 5 years	0	100	0	100	20.13
5 years to 10 years	0	100	0	100	79.87
10 years to 20 years	-	-	-	-	-

5.8.3 **Maximum funds invested for more than 364 days –** This limit is set to reduce the need for early sale of an investment and is based on the availability of funds after each year end. The position as at 31 March 2012 for the Council is shown in the table below. The Former SYCC had no investments at that date.

Rotherham MBC	2011/12 Actual £m	2011/12 Revised Indicator £m	2011/12 Original Indicator £m
Maximum funds invested for longer than 364 days	0	10	10
Cash Deposits	0	10	10
N.B :. The above excludes any Icelandic investments due to be recovered after more than 364 days (£1.498m)			

6. Actual debt management activity during 2011/12

6.1 **Borrowing** - The loans drawn by Rotherham MBC were:

Lender	Principal	Type	Interest Rate	Maturity Years	Average rate
PWLB	£10,000,000	Fixed rate	3.01%	8 Years	
PWLB	£10,000,000	Fixed rate	3.20%	9 Years	
PWLB	£10,000,000	Fixed rate	3.37%	11 Years	
PWLB	£5,000,000	Fixed rate	3.26%	19 Years	
PWLB	£5,000,000	Fixed rate	3.37%	22 Years	
PWLB	£5,188,000	Fixed rate	3.44%	25 Years	
PWLB	£1,000,000	Fixed rate	4.76%	25 Years*	
PWLB	£1,000,000	Fixed rate	4.24%	25 Years*	
PWLB	£1,000,000	Fixed rate	4.08%	25 Years*	
PWLB	£2,000,000	Fixed rate	3.66%	25 Years*	
PWLB	£750,000	Fixed rate	3.79%	25 Years*	
Total:	£50,938,000				3.34%
* This loan is an annuity repayable over 25 years					

6.2 This compares with a budget assumption of net borrowing of £56.5million. As explained earlier (para. 4.4) the most prudent approach in 2011/12 was to continue to utilise temporary cash flow funds instead of borrowing when appropriate. And with long term rates remaining relatively high the borrowing undertaken was restricted to short term debt and to minimise the on-going interest rate risk within the portfolio the opportunity was taken to take out fixed rate debt.

The average rate compares favourably with a 4.18% average for all PWLB fixed rate debt in 2011/12.

6.3 **Rescheduling** – No rescheduling took place in 2011/12 due to unfavourable market conditions.

6.4 **Repayment** – Three loans matured during the year as shown in the table below and these were effectively replaced during the year by the debt referred to in 6.1. The additional debt taken out was broadly in line with the borrowing requirement for the year thus the Council's under-borrowed position was maintained.

Lender	Principal	Type	Interest Rate	Average rate
PWLB	£2,000,000	Fixed rate	3.46%	
PWLB	£5,000,000	Fixed rate	3.99%	
PWLB	£10,000,000	Fixed rate	2.11%	
PWLB Annuity	£33,858	Annual repayments		
Total:	£17,033,858			2.82%

6.5 **Summary of Debt Transactions** – The overall position of the debt activity resulted in a fall in the average interest rate of 0.10%, from 4.83% to 4.73%. This contributed to an overall breakeven position on the capital financing budget when compared to the estimate.

6.6 **Former South Yorkshire County Council**, – There were no repayments, no new borrowing and no rescheduling during 2011/12.

7. Investment Position

7.1 **Investment Policy –** The Council's investment policy is governed by DCLG Guidance, which was implemented in the annual investment strategy approved by Council on 2 March 2011. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £9.5m and received an average return of 0.33%. This outturn position compares with a budget assumption of an average of £20m investment balances at a 0.50% interest rate.

The average return was lower than the estimate due to the lower investment balances and the continued reduced investment returns available. When compared to the local measure of performance the average return was below the average 7 day LIBID rate for 2011/12 of 0.48%.

8. Regulatory Framework, Risk and Performance

8.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;

- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities; and
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8^{th} November 2007.

8.2 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, the adoption and implementation of the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable. Treasury investment practices are governed by the primary objectives of security ahead of liquidity and then yield. Revised operational guidelines enhanced the weighting towards security still further at the expense of yield or return.

Agenda Item 6

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**26th September 2012**
3.	**Title:**	**Audit and Inspection Recommendations Update Report**
4.	**Directorate:**	**Resources**

5. Summary

This report summarises the progress against recommendations from across all key external audits and inspections of council services.

It is intended that this report provides a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (January 2012). A summary of these are detailed within the table in Appendix A. In summary;-

- Since the last report there have been five new inspections and external assessments resulting in 33 new recommendations

- There are currently twelve action plans relating to Inspection and Audit recommendations which are still "active" in the authority (ie contain outstanding recommendations which are still relevant)

- Across these action plans 21 recommendations have been completed and 25 remain outstanding

6. Recommendations

That the Audit Committee:

- **Note the progress achieved against outstanding actions**

- **Advice further actions as necessary**

7. Proposals and Details

The monitoring of Audit and Inspection recommendations provides evidence that the Council is able to respond to external challenge in a timely manner and is committed to continuous improvement. Additionally through analysing the recommendations we are demonstrating our ability to identify and rectify detrimental trends or issues and to deliver service improvement.

Progress against Recommendations

Since the previous January 2012 report progress against recommendations is good. This has resulted in a number of action plans being signed off as complete as either all recommendations have been implemented or subsequent inspections have assessed that there is no need to progress the issues of concern further. Subsequently future audit and inspection reports and associated appendices will omit their details. These are;

- ALMO (November 08)
- Adult Social Care Annual Assessment 2010 (October 10)
- Annual Performance Assessment (December 08)
- Safeguarding / Looked After Children (July / August 2010)
- Local Authority Adoption (January 2011)
- Peer Challenge (October 11)

In addition the Council is no longer formally assessed and accredited to the Customer Service Excellence Standard, although we continue to embed the principles of the standard across the council. Therefore for the purposes of this report, progress monitoring will not continue and individual recommendations closed.

Analysis of outstanding recommendations

Progress against all outstanding audit and inspection recommendations of council services are monitored by Performance & Quality Teams. Currently there are 25 recommendations which still need addressing. However it is worth noting that 24 of these are from five new inspections and external assessments. All are currently progressing and are on track to be delivered within set timescales.

The other ongoing recommendation is from the Audit Commissions review of Health Inequalities in 2009 and relates to breastfeeding. Progress remains ongoing and breastfeeding initiation has dipped and is off target. We are currently off target as the performance has decreased to 57.8% (Q1 2012/13). A planned Health Equity audit will help us to understand the dip in performance and service delivery issues.

New Inspection Reports received

There have been five new inspection judgements received since the last report.

- **Safeguarding Peer Challenge of Children and Young People Services**

This was undertaken in October 2011 by the Local Government Improvement and Development (LGID). Overall strengths included;

- A positive journey of improvement was acknowledged
- Strong political and managerial leadership was evident

- There is a commitment to safeguard Rotherham's children
- There is a strong focus on developing user engagement
- Evidence of partnership and joint working
- Good Learning and Development Practice

Due to the nature of the challenge review no recommendations were made however they identified a number of 'areas for consideration'. These were consolidated into six key development areas by the Children and Young People's Services improvement panel

- Clarity of Strategic Governance
- Communication to staff
- Prevention and Early Intervention Strategy
- Commissioning and Value for Money
- Quality Assurance and Performance
- Aspirations and Accountability for our most vulnerable

- **Thematic Inspection of disability services**

Rotherham was one of 12 Local Authorities who were chosen to take part in this inspection process, a single report was published in August pulling together the findings from all 12 Local Authorities identifying good practice and the practice that they found which is not so good, (this report was anonymised). Feedback from the inspectors at the time highlighted good practice in CAFs, co-location of disability services and multi-agency engagement. Eleven improvement areas were also highlighted eight of which are outstanding. In summary these relate to Voice and Influence of the child, Quality Assurance of practice and systems.

- **Review Report On The Registration Service**

This audit was largely positive identifying only three areas for improvement; timeliness of death registrations, registration appointments and documentation of Staff training evaluation

- **Food Standards Agency Audit**

This was undertaken in July 2012, we are fully compliant and no further issues identified.

- **Unannounced inspection of child protection**

This inspection was carried out under the new framework and the Authority was only the second in the country to have such inspection at that time. The new framework now covers 4 judgements, a rating is given to each judgement (including the overall effectiveness judgement)

- Overall effectiveness - Adequate
- The effectiveness of the help and protection provided to children, young people, families and carers – Adequate
- The quality of practice – Adequate
- Leadership and governance – Adequate

The inspectors recognised the series of improvements that have been made since 2009. In some areas the inspectors said that the services provided are good, while in other areas, changes that have been made were seen to be positive but it is still too early to judge their full impact - hence the overall grading. The key element of the judgements given was in relation to lack of consistency across the whole of the service.

A summary of progress against all recommendations from “Active” Inspection & Audit action plans is provided in Appendix A. The Performance and Quality Team continue to work with services to ensure that the associated outstanding recommendations are completed and ensure services are prepared for new or changing inspection and assessment regimes.

8. Risks and uncertainties
Any risks and uncertainties are highlighted in the report above and should be noted as a matter of interest in light of the potential impact on other aspects of Council performance.

It is essential that in this time of uncertainty and in the absence of any national performance regime (other than children and adult services) that we continue to be able to demonstrate continuous improvement and self regulation through the implementation of any previously recommended actions.

9. Policy and Performance Agenda Implications
Approaches to inspection and assessment of local authorities are being developed across Government in the light of the decentralisation and localism agenda. In future any central inspection will be focused on the most vulnerable i.e. help to maintain high standards in children’s services and adult social care. Intervention will focus on cases of serious risk or failure.

In addition, the Government has now published a draft Audit Bill that confirms changes to the external audit regime applicable from 2012/13. New external audit appointments have been made to all local authorities by the Audit Commission, and these include confirmation of KPMG as Rotherham MBC’s external auditor for the next 5 years. The Draft Bill confirms that the scope of external audit will remain substantially the same as in the current regime, which means we do not expect there to be any significant changes to the external audit programmes in the future.

10. Background Papers and Consultation

- All inspectorates’ reports, letters and action plans since mid 2007.
- All new and follow up audit reports.
- All inspectorate frameworks, arrangements and guidance documents

Contact Names:

Sue Wilson, Performance and Quality Manager, ext 22511
Deborah Johnson, Performance and Improvement Officer, ext 22666

[APPENDIX A]

Summary of Recommendations from "Active" Inspection & Audit action plans (which took place from 2007 to Present)

With summary of progression against recommendations since the last report and in total

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Resources							
Addressing Health Inequalities (January 09)	AC	10	9	0	1	2012	Ongoing
Customer Service Excellence (January 11)	EMQC	N/A	N/A	N/A	N/A	Dec 11	Closed** (No longer active)
Environment and Development Services							
Review Report On The Registration Service In Rotherham (July 11)	Home Office	3	N/A	0	3	Mar 12	Ongoing
Neighbourhoods and Adults Services							
ALMO (November 08)	AC	35	34	1	0	Dec 11	Complete
Adult Social Care Annual Assessment 2010 (October 10)	CQC	3	0	3	0	Dec 11	Complete
Food Standards Agency Audit (July 12)	Food standards agency	0	N/A	0	0	July 11	Fully compliant
Children's Services							
Annual Performance Assessment (December 08)	Ofsted	10	9	1	0	Mar 10	Complete
Safeguarding / Looked After Children (July / August 2010)	Ofsted	10	8	2	0	Nov 10	Complete
Local Authority Adoption (January 2011)	Ofsted	4	2	2	0	Jan 12	Complete
Unannounced inspection of contact, referral and assessment arrangements (May 2011)	Ofsted	4	1	3	0	May 12	Complete
Peer Challenge (October 11)	LGC	6	N/A	6	0	June 12	Complete
Thematic inspection of disability services (March 12)	Ofsted	11	N/A	3	8	Jan 13	Ongoing
Unannounced inspection of child protection (July 12)	Ofsted	13	N/A	0	13	Mar 13	Ongoing
Total Recommendations in "Active" Inspection & Audit action plans		**109**	**63**	**21**	**25**		

***The Council is no longer formally assessed and accredited to the Customer Service Excellence Standard, although we continue to embed the principles of the standard across the council. Therefore for the purposes of this report, progress monitoring will not continue and individual recommendations closed.*