AUDIT COMMITTEE

Venue:	**Town Hall, Moorgate Street, Rotherham. S60 2TH**	**Date:**	**Wednesday, 17 September 2014**
		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 23rd July, 2014 (herewith) (Pages 1 - 7)

4. Audit and Inspection Recommendations Update Report (herewith) (Pages 8 - 13)

5. Annual Treasury Management Report and Actual Prudential Indicators 2013/14 (report herewith) (Pages 14 - 28)

6. Banking Services (report herewith) (Pages 29 - 37)

7. Review of Progress Against the Internal Audit Plan for the four months ending 31st July 2014 (report herewith) (Pages 38 - 46)

8. Corporate Risk Register (report herewith) (Pages 47 - 58)

9. KPMG Comparison of Corporate Risks (report herewith) (Pages 59 - 68)

10. Annual Governance Statement 2013/14 (report herewith) (Pages 69 - 85)

11. Statement of Accounts 2013/14 (report herewith) (Pages 86 - 249)

12. Date and Time of Next Meeting - Wednesday, 19th November, 2014 at 4.00 p.m.

AUDIT COMMITTEE
23rd July, 2014

Present:- Councillor Sangster (in the Chair); Councillors Cowles, Kaye and Sharman.

Also in attendance was Councillor Wyatt, Cabinet Member for Finance.

An apology for absence was received from Councillor Sims.

N1. MINUTES OF THE PREVIOUS MEETING

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 23rd April, 2014.

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

N2. COUNCIL BANKING ARRANGEMENTS

Consideration was given to a report presented by Derek Gaffney, Chief Accountant, which, following the decision in November, 2013 by the Co-operative Bank to withdraw from the local authority sector, the Council needed to seek and appoint a new provider of banking services before the expiry of the current contract on 31st March, 2015.

An update was provided with the actions taken by officers to date in seeking a replacement supplier of banking services to the Council with confirmation that four tenders had been received and were currently being evaluated.

Resolved:- That the report be received and the contents noted.

N3. DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

Consideration was given to a report presented by Colin Earl, Director of Audit and Asset Management, which outlined the Council's view of the application of good governance standards in Rotherham MBC.

The approach to the completion of the Statement had once again included the certification of statements of assurance by Cabinet Members and Senior Management. The process involved Cabinet Members and Senior Management recording key issues considered during the year in line with current good practice and a recommendation of the Audit Committee. It enabled the Council to show the significant issues it had faced during the course of the year and showed that the issues have been addressed effectively and without any significant weakness in governance.

The overall position was good, with the outstanding significant issues raised in last year's Statement now complete and no new issues arising this year.

Recommended practice required the Leader of the Council and the Chief Executive to sign the statement, prior to its publication with the Statement of Accounts, in September 2014.

Reference was also made to the structure of the Annual Governance Statement and its format, the process for its completion and how the Audit Committee would continue to review the effectiveness of governance arrangements during 2014/15.

Discussion ensued on the format for picking up areas of concern, particularly around budget discussions, and the routes for discussions and challenges.

Confirmation of Rotherham's robust arrangements were endorsed by KPMG.

Resolved:- (1) That the 2013/14 draft Annual Governance Statement be approved.

(2) That the requirement for the Leader and the Chief Executive to sign the statement prior to the publication of the Council's accounts be noted.

N4. ANNUAL FRAUD REPORT 2013/14

Consideration was given to a report presented by Marc Bicknell, Chief Auditor, which brought together in one document a summary of the work which had taken place in the period to prevent, detect and investigate allegations of fraud and corruption.

The Council had a zero-tolerance to fraud and corruption. It was proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The purpose of the report, therefore, was to raise awareness and inform stakeholders of the work the Council undertook to manage the risk of fraud and corruption.

It should be noted that the incidence of <u>general</u> fraud (i.e. fraud cases excluding Housing Benefits and Council Tax Reduction Scheme) remained very low in overall terms, taking into account the Council's activities and spending. General fraud cases exceeding £10,000 were required to be reported to the Audit Commission and there were none of these in 2013/14.

There continued, however, to be a significant amount of attempted and actual Housing and Council Tax Benefits fraud committed against the Council. The Council investigated 1,060 potentially fraudulent cases during 2013/14, obtained 37 prosecutions and issued 96 cautions and penalties.

Priorities for 2014/15 were to:-

- Update our fraud risk assessment to ensure we continue to focus resources on potentially vulnerable areas.
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for adult social care, direct payments, and reviews of major contractors.
- Keep abreast of national developments and ensure the Council continues to comply with current best practice.
- Continue to participate in the National Fraud Initiative.
- Provide training, advice and guidance.
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc. via suitable media sources.
- Also assess the scope for proactive counter-fraud activity through local data matching exercises.
- Consider the business case for establishing a corporate 'Counter-Fraud' Function/Team

Publication of the Annual Fraud Report was proposed to help the Council demonstrate this commitment and act as a deterrent to further fraud.

Discussion ensued on the role of Internal Audit and the referral of certain matters to the Inland Revenue, which it was confirmed was an avenue that was open.

The Committee noted that Rotherham's detection rates were higher, but commended those involved for their success.

Resolved:- (1) That the production of the Annual Fraud Report 2013/14 be supported.

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

N5. AUDIT COMMISSION FRAUD SURVEY: KPMG ANALYSIS

Consideration was given to a report presented by Marc Bicknell, Chief Auditor, which outlined the findings from a summary of comparative 2013/14 fraud activity, produced by KPMG.

Rotherham had the highest level of detected fraud amongst the authorities submitting data, primarily due to its exceptional achievement in identifying and recovering council tax single persons' discount overpayments.

KPMG gave a short presentation of its analysis, which showed Rotherham Council's position on a number of key indicators relative to other metropolitan borough councils.

Overall, the analysis demonstrated Rotherham took a strong line against fraud. The main headlines from the presentation were:-

- Rotherham MBC achieved the highest overall level of detected fraud cases and 3rd highest value (slide 7).
- The main reason for the overall position above is the Council's exceptionally high relative level of detected council tax discounts fraud, where RMBC achieves substantially more than any other metropolitan authority (slide 9).
- RMBC detected an average number and value of other Benefits Fraud (slide 8).
- RMBC detected no social housing fraud (tenancy fraud) (slide 10).
- RMBC detected 13 blue badge frauds in the year, which is equivalent to the average number of cases per Northern Metropolitan Councils (slide 13).

During 2014/15 Internal Audit planned to carry out selected further tests in fraud risk areas to assess the likelihood and extent of fraud and, where appropriate, take any follow up action.

The Committee were satisfied that the performance checks and arrangements in place were robust as there had been no insurance cases as part of the fraud survey.

It was also noted that KPMG had a significant share of the market as External Auditors to Local Authorities which supported the benchmarking of data and performance.

Reference was also made to the proposals by the Department for Work and Pensions who were to create a Single Fraud Investigation Service. This would draw in Local Authority staff currently engaged on benefits fraud investigation activity, which could have an impact on the Council's fraud investigation and detection resources.

Resolved:- (1) That the KPMG be thanked for their informative presentation.

(2) That the analysis produced by KPMG be noted.

N6. INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

Consideration was given to a report presented by Marc Bicknell, Chief Auditor which had been produced in compliance with the requirement of the United Kingdom Public Sector Internal Audit Standards that replaced the CIPFA Code of Practice for Internal Audit 2006.

The Internal Audit Strategy had been reviewed in conjunction with the production of the Internal Audit Charter.

This report enabled the Director of Audit and Asset Management and the Audit Committee to satisfy their respective responsibility for presentation and approval of the Charter and Strategy documents, which were by their nature lengthy and detailed documents.

The UKPSIAS required an annual internal review and a five year external review of Internal Audit compliance with the Standards, to be reported to the Audit Committee – the results of these reviews would be reported to the Audit Committee in due course.

Discussion ensued on the production of the Annual Audit Plan, which provided the detail and timetable for work going forward, and information provided on the budget expenditure for the Internal Audit Service.

Resolved:- (1) That the Internal Audit Strategy (attached at Appendix A) be supported.

(2) That the Internal Audit Charter (attached at Appendix B) be supported.

N7. KPMG INTERIM AUDIT 2013/14

Consideration was given to a report presented by Simon Tompkins, Finance Manager, referred to the outcomes from KPMG's 2013/14 planning and interim audit work. The outcome of which was a very positive one.

KPMG's 2013/14 External Audit Plan set out the scope of the work to be carried out at the planning and interim audit stages of their audit.

The planning work included a review of the Council's overall control environment

The interim audit included:-

- Evaluating and testing controls over the Council's key financial systems.
- A review of the work of the Council's internal audit function in relation to these controls.

- A review of the accounts production process.
- A review of progress on areas of particular audit focus identified in KPMG's 2013/14 External Audit Plan

The areas of particular audit focus referred to in the External Audit Plan were:-

- The estimated costs associated with the orderly and managed closure of Digital Region Ltd
- The transition to the new general ledger structure in July 2013
- The data and assumptions underpinning the Pension valuation carried out at 31 March 2014 for accounts purposes

KPMG concluded that there were no significant matters that needed to be reported to Audit Committee based on the work carried out and, as a consequence, did not consider it necessary to issue a formal report. A letter summarising audit progress was, therefore, issued.

Resolved:- That the positive findings presented in KPMG's interim audit letter be endorsed.

N8. STATEMENT OF ACCOUNTS 2013/14

Further to Minute No. 34 of the meeting of the Audit Committee held on 23rd April, 2014 consideration was given to a report presented by Simon Tompkins, Finance Manager, which set out the main changes to the Statement of Accounts in 2013/14.

This report summarised the key disclosures contained in the unaudited 2013/14 Statement of Accounts published on 30th June, 2014 to give an opportunity to consider them before formal approval at the meeting on 17th September 2014.

The statutory deadline for the audited Statement of Accounts to be published was 30th September, 2014.

The External Auditor did not make any formal recommendations in relation to the audit of the 2012/13 Statement of Accounts. There were, therefore, no issues for follow up with regard to the preparation of the 2013/14 accounts.

Reference was also made to the briefing note provided with the agenda papers which provided an important introduction to the Statement of Accounts as it brought attention to the Council's overall financial performance in the year, its financial position at the year end, significant matters reported in the Statement of Accounts and the Council's future financial prospects.

The Committee welcomed the explanatory briefing note and sought clarification as to where the Icelandic Bank settlement was identified and the current position.

Central Government and CIPFA's recognition of the need to streamline the accounts and how this would be taken in the future was also noted.

Resolved:- That the unaudited 2013/14 Statement of Accounts be received and the compliance with the statutory requirement that they be published no later than 30th September, 2014 be noted.

N9. DATE AND TIME OF THE NEXT MEETING

Resolved:- That the next meeting of the Audit Committee take place on Wednesday, 17th September, 2014 at 4.00 p.m.

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

1. Meeting:	**Audit Committee**
2. Date:	**17 September 2014**
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.

6. Recommendations

That the Audit Committee:

- **Note the progress achieved against outstanding actions**
- **Advise further actions as necessary**

7. Proposals and Details

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 (April 2014). A summary of these are detailed within the table in Appendix A. In summary;

- Since the last report there has been one non-compliant Care Quality Commission (CQC) inspection of the Netherfield Court Intermediate Care Service in July 2014.
- There is currently 1 action plan relating to Inspection and Audit recommendations which is still "active" in the authority (i.e. contain outstanding recommendations which are still relevant).
- Across these action plans 12 recommendations have been completed and 1 remains outstanding.

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.

Overall Progress against Recommendations

Since the previous report progress against recommendations is good with only 1 action outstanding. Plans are in place to ensure the outstanding action is completed by within the timescales agreed.

All recommendations have now been completed for:

- **Children's and Young Peoples Services (CYPS) - Unannounced Inspection of Child Protection by OFSTED**
  The actions identified from the Ofsted inspection to raise awareness of and requirements in respect of managing private fostering arrangements are complete. Raising awareness with staff and partners continues
  - Education and Welfare Officers and Managers have received bespoke training.
  - Designated Safeguarding leads from all Rotherham schools and School Governors have received a presentation on Private Fostering.

- **Public Health - Audit Commissions review of Health Inequalities - 2009**
  In relation to the Audit Commissions review of Health Inequalities in 2009 which relates to breastfeeding.
  The responsibility for the provision of this service now resides with The Rotherham Foundation Trust (TRFT) Maternity Service who are continuing the work started by RMBC to address the contributing factors to the reduction in breastfeeding rates.

Analysis of outstanding recommendations

Progress against all outstanding audit and inspection recommendations of council services are monitored by Performance & Quality Teams. Currently there is 1 recommendation which needs addressing. This is being progressed and monitored within the Directorate.

1. **CYPS - Thematic Inspection of Disability Services**
   Inspection undertaken in March 2012.
   Only one action remains outstanding in relation to this inspection. Work is currently underway to enable the production of quality system data, needed to support the improvements required in relation to performance management arrangements and address the outstanding recommendation. This is scheduled for completion by the end of October 2014.

New Inspection Reports received

There has been 1 new inspection since the last report:

Adult Social Care – Report on the Registered CQC Services in Rotherham

CQC Inspections are undertaken on an ongoing annual basis.
Last year April 2013 to March 2014 all 8 adult social care registered services were inspected by CQC and received judgements of fully compliant.
To date this year April 2014 to March 2015 of the 5 services (from 8) inspected so far 1 (Netherfield Court) has been found non-compliant in one area (with a minor impact on service users).

1. **Netherfield Court**
   Inspection undertaken on 17th July 2014 by the CQC
   An inspection of the Councils 'Netherfield Court Intermediate Care Service' in July, 2014 resulted in one area of minor non-compliance regarding Infection control and cleanliness. Actions have been completed as per the recommendations made and a re-inspection was undertaken on the 2 September which is currently awaiting an outcome but expected to be judged as compliant.

Lord Hardy Court – New Inspection Regime Pilot

Inspection undertaken on 15th August by the CQC.
This inspection was carried out as part of the new inspection regime Wave 2 pilot. CQC will be implementing the new regime nationally on 1st October, Lord Hardy Court was identified to inspected as part of the pilot. The inspection framework provides a much tougher test for registered adult social care service. Lord Hardy Court was visited by three inspectors, including an 'expert by experience' for the full day. The service is awaiting a rating from the inspection however verbal feedback given on the day by CQC was positive.

Forthcoming Inspections

OFSTED Single Inspection Framework

The new Ofsted inspection framework to inspect services for 'children in need of help and protection, children looked after and care leavers' came into effect in November 2013. This replaces 4 former frameworks.

In addition it proposes three key judgements with a judgement of 'inadequate' in any of these three judgements leading to 'inadequate' in overall effectiveness.

Following the publication of the independent inquiry into historical cases of child sexual exploitation in Rotherham, RMBC has received confirmation from the Department for Education of an early Ofsted Inspection. This could be as early as 16 September.

Work is underway within CYPS to ensure that should inspectors arrive plans and evidence are in place to meet their requirements and to facilitate their needs. The Performance and Quality Team are working with operational managers to ensure that a robust evidence bank is in place, that Annex A (the key document which is required on Day 1 of the inspection) is fully populated ready for the commencement of the inspection.

As at the 4 September, 27 Authorities had been inspected under the new framework and received the following judgements:

Good	Derbyshire, Essex, East Sussex, Hartlepool, Staffordshire, Hampshire, North Yorkshire, Cambridgeshire
Requires Improvement	Bolton, Hillingdon, Hounslow, Sheffield, Bradford, Bexley, Nottingham, Swindon, Barking and Dagenham, Hereford, Bournemouth, Liverpool, Haringey, Newham, Barnsley
Inadequate	Coventry, Slough, Knowsley
Awaiting Judgement	Southampton (Awaiting publication of Re-inspection)

There are no authorities who have received an Outstanding judgement.

Potential Forthcoming Inspections

New – Ofsted Multi-Agency Inspection
Ofsted along with CQC, Her Majesty's Inspectorate of Constabulary (HMIC) and Her Majesty's Inspectorate of Prisons (HMIP) will begin inspecting under the new joint framework from April 2015 in relation to the support provided to vulnerable children and young people from all agencies. This will run in parallel with the single agency (Ofsted) framework and authorities who have not yet been inspected under the current framework could receive either of the two.

Standards of Education

There is an expectation from OFSTED and the Department for Education that Local Authorities support schools to ensure that they provide a good or better standard of education to the pupils in the area. Currently 74.7% of all schools *(Nursery, Primary, Secondary, Special & PRU)* are judged by OFSTED as good or better, this compares with 73.1% in 2013 and 64.2% in 2012. Nationally it appears that there has been an overall increase of 2% from 78% *(31.08.13)* to 80% *(31.03.14)* in schools judged good or better. Our 10 deprived neighbourhood schools are judged as 80% good or better..

OFSTED now also inspect School Improvement Services to assess the quality of support they provide to schools in the local area. Rotherham were part of the pilot for this but as yet have not received a full inspection under this new framework.

Other Routine Inspections
Routine inspections undertaken in relation to children's homes, schools, children's centres and residential care homes are reported to the relevant cabinet member/portfolio holders for each service and therefore do not form part of this report. As of 30th July, 2014 of the 438 Ofsted regulated services that are under CYPS, 79.7% were assessed as Good or better.

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.

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
- Ofsted Schools Inspection Reports

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[APPENDIX A]

Summary of Recommendations from "Active" Inspection & Audit action plans

With summary of progression against recommendations since the last report.

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Public Health							
Addressing Health Inequalities (January 09)	AC	10	9	1	0	Complete	Responsibility transferred to TRFT
Neighbourhoods and Adults Services							
Adult Social Care – Inspection of Netherfield Court Intermediate Care Service	CQC	1	0	1	0	Aug 14	Complete
Children and Young Peoples Services							
Thematic inspection of disability services (March 12)	Ofsted	11	10	0	1	Nov 14	On-going
Unannounced inspection of child protection (July 12)	Ofsted	13	12	1	0	Aug 2014	Complete
Total Recommendations in "Active" Inspection & Audit action plans		**35**	**31**	**3**	**1**		

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**17th September 2014**
3.	**Title:**	**Annual Treasury Management Report and Actual Prudential Indicators 2013/14**
4.	**Directorate:**	**Resources**

5. Summary

The Council received an annual treasury strategy in advance of the 2013/14 financial year and also received a mid year report representing a mid year review of treasury activity during 2013/14.

The annual treasury management report is the final treasury report for 2013/14. Its purpose is to review the treasury activity for 2013/14 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2013/14 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 Director of Financial Services 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)

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Annual Report on the Treasury Management Service and Actual Prudential Indicators 2013/14

Executive Summary

During 2013/14 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 2013/14, with comparators, are as follows:

	2013/14 Actual £m	**2013/14 Revised Indicator £m**	**2013/14 Original Indicator £m**	**2012/13 Actual £m**
Capital Expenditure	71.769	82.395	61.767	57.923
Capital Financing Requirement: - Non-HRA	317.758	322.232	324.737	321.573
Capital Financing Requirement: - HRA	304.125	304.810	306.959	304.125
Total excluding PFI and similar arrangements	621.883	627.042	631.696	625.698
Cumulative adjustment for PFI and similar arrangements	127.567	127.405	127.405	129.338
Total including PFI schemes and similar arrangements	749.450	754.447	759.101	755.036
	%	%	%	%
Financing Costs as a proportion of Net Revenue Stream: Non-HRA	8.16	8.18	7.94	8.86
HRA	17.74	18.17	18.36	19.05

The main reasons for the change in the actual indicators, from those originally set in March 2013 and subsequently revised in March 2014 are as follows:

- Due to re-profiling actual capital expenditure in the year was higher than originally anticipated but less than reported to Audit Committee in February. The main areas of slippage were Investment in ICT and Highways Projects.

- 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 revised estimate position.

The Director of Financial Services 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 2014, the Council's external debt totalled £476.164m (£488.437m at 31 March 2013) and its investments totalled £19.749m (£15.479m at 31 March 2013).

At 31 March 2013, the Former South Yorkshire County Council external debt totalled £96.121m (£96.121m at 31 March 2013). The Former SYCC had no investments at that date (nil at 31 March 2013).

1. Introduction

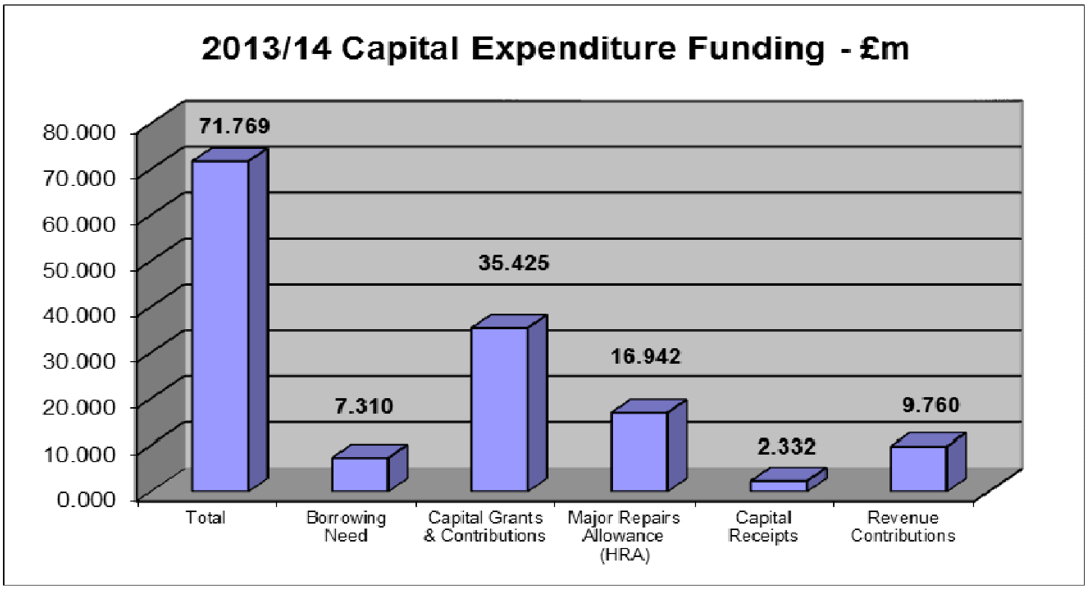
1.1 This report summarises:
- the capital activity for the year;
- how this activity was financed;
- the impact on the Council's indebtedness for capital purposes;
- the Council's overall treasury position;
- the reporting of the required prudential indicators;
- debt activity; and
- investment activity.

2. The Council's Capital Expenditure and Financing 2013/14

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 2013/14 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 2013/14 Treasury Management strategy at its meeting on 6 March 2013, approved the following revised MRP policy in relation to the charges for 2013/14:

(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.

CFR (£m)	31 March 2014 Actual £m	31 March 2014 Revised Indicator £m	31 March 2014 Original Indicator £m	31 March 2013 Actual £m
Opening balance (excluding on-balance sheet PFI and similar arrangements)	625.698	625.698	633.341	627.420
Plus increase in borrowing need	7.310	11.209	8.756	7.958
Less MRP/VRP/Met Debt Principal Repayment	-9.865	-9,865	-10.401	-9.680
Less other decreases in borrowing need	-1.260	0.000	0.000	0.000
Closing balance (excluding on-balance sheet PFI and similar arrangements)	621.883	627.042	631.696	625.698
Closing balance (excluding on-balance sheet PFI and similar arrangements)	**621.883**	**627.042**	**631.696**	**625.698**
Plus cumulative PFI adjustments	127.567	127.405	127.405	129.338
Closing balance (including on-balance sheet PFI and similar arrangements)	**749.450**	**754.447**	**759.101**	**755.036**

3.4 Actual capital expenditure in 2013/14 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 2014

4.1 Whilst the Council's gauge of its underlying need to borrow is the CFR, the Director of Financial Services 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 2013/14 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 2013 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 2014 compared with the previous year was:

RMBC Treasury position	31 March 2014		31 March 2013	
	Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Interest Rate Debt *	370.164	4.85	347.437	4.89
Variable Interest Rate Debt **	106.000	4.41	141.000	4.12
Total Debt	476.164	4.75	488.437	4.67
Fixed Interest Investments	19.749	*** 0.25	15.479	*** 0.25
Variable Interest Investments	0	0.00	0	0.00
Total Investments	19.749	0.25	15.479	0.25
Net borrowing position	**456.415**		**472.958**	

* 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 include the principal outstanding on the Council's Icelandic investments (£0.098m at 31/03/14, £1.364m at 31/03/13), with an assumed average rate of zero

4.4 Against the Council's Capital Financing Requirement (£621.883m), the Council's outstanding debt levels (£476.164m) are lower than this Requirement by approximately £146m 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 2014 compared with the previous year was:

Former SYCC Treasury position	31 March 2014		31 March 2013	
	Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Interest Rate Debt *	96.121	5.92	96.121	5.92
Variable Interest Rate Debt **	0	0.00	0	0.00
Total Debt	96.121	5.92	96.121	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	**96.121**		**96.121**	

* 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 2013/14 plus the expected changes to the CFR over 2014/15 and 2015/16. 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 2014 Actual £m	31 March 2014 Revised Indicator £m	31 March 2014 Original Indicator £m	31 March 2013 Actual £m
Excluding PFI and similar arrangements				
Net borrowing position	456.415	467.507	465.439	472.958
CFR	621.883	627.042	631.696	625.698
Including PFI and similar arrangements				
Net borrowing position	583.982	594.912	592.844	602.296
CFR	749.450	754.447	759.101	755.036

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 2013/14 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**
Original Indicator – Authorised Limit	761.002	100.000
Revised Indicator – Authorised Limit	774.908	96.121
Actual indicator – Maximum gross borrowing position – External Debt only	488.663	96.121
Actual indicator - Maximum gross borrowing position – External Debt plus PFI and similar arrangements	618.001	96.121

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 2013/14 the Council has maintained its borrowing position around 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**
Original Indicator - Operational Boundary	602.844	96.121
Revised Indicator - Operational Boundary	617.775	96.121
Actual indicator - Average gross borrowing position - External Debt only	486.805	96.121
Actual indicator - Average gross borrowing position - External Debt plus PFI and similar arrangements	615.257	96.121

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	2013/14 Actual	2013/14 Revised Indicator	2013/14 Original Indicator
Financing costs as a proportion of net revenue stream:			
Non HRA	8.16%	8.18%	7.94%
HRA	17.74%	18.17%	18.36%

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	2013/14 Actual	2013/14 Revised Indicator	2013/14 Original Indicator
Incremental impact of capital investment decisions on the Band D council tax	£2.82	£3.46	£2.70
Incremental impact of capital investment decisions on the Housing Rent Levels	£0.00	£0.03	£0.10

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 2013/14 is consistent with the revised forecast. None of the HRA capital investment was financed by borrowing in 2013/14 and as such there was 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 2014** – 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	2013/14 Actual	2013/14 Revised Indicator	2013/14 Original Indicator	2012/13 Actual
Upper limit on fixed interest rates based on fixed net debt	76.85%	100%	100%	76.60%
Upper limit on variable interest rates based on variable net debt	28.87%	30%	30%	25.59%

Former SYCC	2013/14 Actual	2013/14 Revised Indicator	2013/14 Original Indicator	2012/13 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 2013/14 –** 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 2014 is shown in the table below.

	RMBC				
	Original Indicator %		Revised Indicator %		Actual %
	Lower	Upper	Lower	Upper	
Under 12 months	0	35	0	35	5.73
12 months to 2 years	0	35	0	35	4.68
2 years to 5 years	0	40	0	40	9.85
5 years to 10 years	0	40	0	40	12.44
10 years to 20 years	0	45	0	45	5.82
20 years to 30 years	0	50	0	50	7.23
30 years to 40 years	0	50	0	50	6.41
40 years to 50 years	0	55	0	55	11.72
50 years and above	0	60	0	60	36.12

	Former SYCC				
	Original Indicator %		**Revised Indicator %**		**Actual %**
	Lower	Upper	Lower	Upper	
Under 12 months	0	50	0	50	0.00
12 months to 2 years	0	70	0	70	9.79
2 years to 5 years	0	100	0	100	52.56
5 years to 10 years	0	100	0	100	37.65

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 2014 for the Council is shown in the table below. The Former SYCC had no investments at that date.

Rotherham MBC	**2013/14 Actual £m**	**2013/14 Revised Indicator £m**	**2013/14 Original Indicator £m**
Maximum funds invested for longer than 364 days			
Cash Deposits	0	10	10

6. Actual debt management activity during 2013/14

6.1 **Borrowing** - No new loans were drawn by Rotherham MBC during the year.

6.2 This compares with a budget assumption of new & replacement borrowing of £8.4m but as explained earlier (para. 4.4) the most prudent approach in 2013/14 was to continue to utilise temporary cash flow funds instead of borrowing.

6.3 **Rescheduling** – No rescheduling took place in 2013/14 due to the continuing unfavourable market conditions.

6.4 **Repayment** – One £10m loan matured during the year as shown in the table below. Part repayments of principal continued on the Annuity and Equal Instalment of Principal (EIP) loans taken up in prior years. None of this maturing debt was replaced in the year and therefore the Council's under-borrowed position increased.

Lender	Principal	Type	Interest Rate	Average rate
PWLB	£2,000,000	Fixed rate	3.46%	
PWLB	£10,000,000	Variable rate	0.56%	
PWLB Annuity	£273,791	Annual repayments	Various	
Total:	£12,273,791			1.09%

6.5 **Summary of Debt Transactions –** The debt activity resulted in an increase in the average interest rate of 0.08%, from 4.67% to 4.75%. This principally arose due to the maturity of the low cost variable rate debt shown above.

6.6 **Former South Yorkshire County Council** – No new borrowing or rescheduling took place during 2013/14 and no debt was repaid during the year.

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 6 March 2013. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £34.6m and received an average return of 0.28%. When compared to the local measure of performance the average return was below the average 7 day LIBID rate for 2013/14 of 0.35%.

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 8th 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.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**17th September 2014**
3.	**Title:**	**Banking Services**
4.	**Directorate:**	**Resources**

5. Summary

The report outlines the outcome of the tender evaluation for the supply of Banking Services and Cabinet Member for Finance's decision to approve under delegated powers the acceptance of the tender from National Westminster Bank plc.

6. Recommendation

a) **That Audit Committee notes the decision of the Cabinet Member for Finance to accept the tender submitted by National Westminster Bank plc for the supply of Banking Services, in accordance with delegated powers.**

7. Proposals and Details

The Procurement of the Banking Services contract was carried out by RMBC finance officers, a Banking Consultant (Focus on Banking) and facilitated by the Procurement Category Manager. The tender was advertised in the official journal of the European Union (OJEU) through the open procedure via the YORtender e-procurement system.

Four tender submissions were returned by the deadline date of the 25th June 2014, Tenders were received from Barclays Bank plc, HSBC Bank plc, Lloyds Bank plc and National Westminster Bank plc.

Tenders were evaluated out of 100 points, 55 points were allocated to quality and 45 to price, in line with the criteria set out in the Invitation to tender (ITT) against the price for the service and the following quality considerations:

- Resolving transaction queries
- Calculation methods for interest on accounts
- Cheque verification
- Operation of accounts
- Relationship management and service levels
- Innovation
- Training
- Operation of Internet Banking
- Implementation
- Social Value (See appendix A)

Pricing was scored based on the total estimated cost of providing Banking Services to Rotherham MBC over the initial period of five years.

The positions following the evaluation and scoring was as follows:

Tenderer	**Position**
National Westminster Bank plc	1
Lloyds Bank plc	2
Barclays Bank plc	3
HSBC Bank plc	4

Approval has been given under delegated powers by the Cabinet Member for Finance to appoint National Westminster Bank plc for this agreement for a period of 5 years, with the option to extend for a further 3 years. Implementation will commence during September to ensure the Council can meet the Co-operative Bank's desired outcome of an early exit from the current contract by the end of December 2014.

8. Finance

The cost of procuring Banking Services over the initial five years of the agreement is estimated at £179,000. As a comparison the existing contract with the Co-operative Bank plc has cost £300,000 over 5 years. The profile of savings has been included within the Council's Medium Term Financial Strategy.

9. Risks and Uncertainties

The contract is purely for the provision of banking services fulfilling the Council's day to day operational financial requirements and does not include any investment activity so the risk is therefore considered to be low.

The contract with the Council's existing bank, the Co-operative Bank plc, expires on the 31st March 2015 but the Bank has requested for an early exit by the end of December 2014 if possible. It is expected that it will take approximately 12 weeks to fully transfer business over to the new bank so the project will start at the earliest opportunity. This will be managed by a resource allocated by the Director of Financial Services and is therefore expected to be achieved on time with little or no impact on service. The risk is therefore considered to be low.

10. Background Papers and Consultation

Cabinet Member for Finance Meeting held on 29th August 2014

Tender submissions and evaluation documents are all stored on the YORtender e-procurement system.

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Appendix A – Social Value

10% of the quality score was allocated to social value questions. The questions asked within the ITT on social value and the response received from the preferred bidder is detailed below.

Question 1 - Financial Inclusion

Please outline proposals for promoting financial inclusion within the Rotherham area. This should include relevant details of any education programmes that can be offered in respect of banking and other financial services

Nat West PLC Response:

We are keen to support financial inclusion working with various organisations to support communities where disadvantage is looking to be addressed and individuals and businesses supported. We detail below some programmes/facilities which we currently have in place to support this agenda and would be more than happy to work with RMBC on a local basis to tailor support that would work best for its community.

The RBS Group offers a range of accounts to meet most customer's needs, we detail below a number which may assist in meeting your tenants requirements which we are happy to work with you on.

Basic Bank Account

The Basic Account is intended for customers who require a basic account for day-to-day banking whilst offering the ability to carry out Direct Debit and Standing Order facilities. It is available to private individuals aged 18 years or over and creditworthy customers who are looking for a credit only account. This account can also be used for foreign students.

Although there is no credit scoring criteria on this account, a Credit Reference Search will still be carried out as per all other accounts as this will check for Bankruptcy and potential Fraud concerns. An account cannot be opened where the customer is an Undischarged Bankrupt or where there is history or any risk of fraud.
Features and benefits of this account include:

- Cash withdrawals - available from NatWest, RBS or Ulster Bank cash machines within the UK and Gibraltar. Customers can also withdraw cash over the counter in our branches and at the Post Office counter or via retailers through the cash back service.
- Bill payment facilities – set up Direct Debit and standing order payments.
- Manage money – online, on the phone or at one of our branches.
- Visa Debit card – make payments worldwide with added online security protection.
- Withdraw money overseas – with a Visa Debit card at any overseas cash machine that shows the Visa logo (subject to fees and charges).
- No overdraft or cheque book available.

Financial Education

We would be delighted to work with RMBC to look at how we could best support their local requirements through our Moneysense programme.

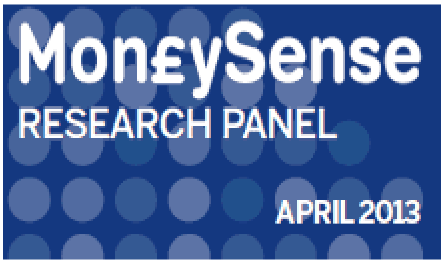
MoneySense

The RBS Group is committed to supporting young people to become financially capable for life through our award winning financial education programme, MoneySense. It is an online, interactive programme aimed at secondary schools to help equip 11-18 year olds to manage their money both now and in the future. Our resources can be used by teachers directly, or in conjunction with NatWest and RBS staff volunteers from across the Group.

Financial Education has been delivered by the RBS Group for almost 20 years, and our commitment to our programme is clear:

- Since 2011, 46% of secondary schools across the UK have used MoneySense resources.
- Since 2011, 8,500 secondary teachers and 34,500 students have signed up to use our free resources.
- In 2012, 40,000 MoneySense lessons were delivered to over 340,000 students in 1,250 schools.
- Over the last 3 years we have delivered lessons to over 1 million school pupils.

The MoneySense Research Report



Our ongoing commitment to financial education can be further evidenced in the MoneySense Research Report which was published in April 2013. The RBS Group commissioned five years of independent research with over 50,000 12 to 19-year-olds across the UK, to find out how they felt about money and how much they know about managing it.

In 2012 we gathered together these findings and asked a range of people; parents, teachers, young people and expert stakeholders to help generate recommendations to improve the financial capability of young people in the UK.

We have created five recommendations based on what we have heard and believe that by working on all of these recommendations we will be able to improve the financial capability of young people in the UK, in school, at home and in the workplace. The recommendations along with details of what the RBS Group is doing to help achieve these are:

1. Financial education should begin when children are young.

The Group has extended our financial education resources to primary schools. Pocket Money already helps parents of young children approach financial matters in a fun way. It is now available online as a primary school resource to teachers.

2. During teen years young people should be improving their financial capability and becoming equipped to make informed financial decisions
The Group continues to provide MoneySense, our free and impartial programme, to secondary schools across the UK. MoneySense gives every young person in school an opportunity to learn the basics of finance, as well as helping them to make the financial decisions in the world of work and beyond.

3. Teachers should be given training and support to deliver financial education
We are supporting teachers by providing information and guidance to help embed MoneySense in their school. We are also supporting the Personal Finance Education Group (pfeg) whilst they develop a maths resource for the new National Curriculum in England.

4. Employers should play an active role in recruiting young people and supporting the financial decisions they will face in their career
Our staff are volunteering in schools, to raise aspirations of working in financial services. Our Early Careers team will provide around 100 apprenticeships in 2013 and have created Career Kickstart, a mobile app which gives advice on employability skills.

5. Parents, teachers, employers, financial institutions and the Government all need to work together to play their part.
A copy of the full report can be downloaded at:
www.rbs.com/sustainability/community-programmes/moneysense.html
MoneySense for Adults offers impartial guidance on money management which is delivered through our MoneySense website -rbs.co.uk/moneysense and in-branch booklets.

The RBS Group also works with Third Sector partners to provide support for vulnerable groups with unique financial challenges, such as our 'MoneySense for single parents' booklet which was produced in partnership with the charity Gingerbread. Annually, over 700 employees deliver over 28,000 lessons to over 335,000 pupils.

The RBS Group hopes to grow the programme significantly through an extensive redevelopment of online resources and by a further 300 volunteers signing up to deliver lessons. The RBS Group targets support to vulnerable groups with unique financial challenges, by working with a range of third sector partners, for example, delivering tailored support for single parent families through Gingerbread.

Question 2 - Social, Economic Benefits

Please provide your proposed approach to the delivery of the Social, Economic benefits.

The response could include the following:

a) The arrangements you will make to recruit local apprentices, reach long term local unemployed and trainees, creating part-time and flexible opportunities to increase for single parents seeking employment and people with disabilities.

b) The sources you will use to recruit local residents and to engage local businesses in sub-contracting opportunities

c) The steps you will take to ensure that your sub-contractors support these requirements

Nat West PLC Response:

On a national basis, we operate the following initiatives that are aimed at promoting social and economic activity.

The RBS Group Community Grants

Anyone at the RBS Group can nominate a charity or community group to get funding up to £10,000, as well as volunteer support. We are keen to support community projects, charities, education and enterprise in the places where we live and work, all across the UK.

We will consider requests to support registered charities and established not-for-profit community organisations whose programmes and services align with our aims and mirror the interests of staff and the communities in which we operate. We want to be a responsible business in the way we engage with our local communities, making a measurable difference through our skills and resources.

Community Investment - National

The RBS Group leads strategic programmes that deliver real and sustainable benefit for our communities, focusing on key issues relevant to our business to help enhance our contribution to society.

To ensure that community investment is as effective as possible, the RBS Group focuses on a small number of programmes that enable us to go further on the key issues that are critical to the business – where we have a role and a responsibility to do so. The programmes are broadly focused around Charitable Programmes, MoneySense and Supporting Enterprise.

Charitable Programmes

The RBS Group is committed to supporting the charitable endeavours of our employees including financial, time and in kind contributions. Group Sustainability lead strategic programmes that deliver real and sustainable benefit for our communities, focusing on key issues relevant to our business to help enhance our contribution to society.

Employee Volunteering

The employee volunteering programme was launched in 2010. This programme gives our people paid time off to volunteer at an organisation of their choice, enabling them to become involved with their communities and make a real difference. More than 41,000 employees volunteered more than 184,000 hours of work time in 2012.

Community Cashback

Community Cashback gives further support to employees who fundraise and volunteer in their own time. Worldwide during 2012 more than 2,700 charities received £3.5m of funding.

Payroll Giving

Payroll Giving allows employees in the UK, Ireland, India and US to donate to the charity of their choice via their salary. We then build on their generosity by matching this donation. In 2012, £7.6m was donated to more than 4,000 charities across the globe.

Community Stars

Community Stars is an employee recognition programme for those who achieved fantastic results for good causes that matter most to them. Employees can win a financial award for the charity they supported. Winners can receive between £250 and £3,750 for their chosen charity or local community group. In 2012 there were over 150 awards totalling £63,000.

Business in the Community

The RBS Group have been actively involved in Mock Interview programmes through Business in the Community – Our Managers have attended sessions at various schools undertaking mock interviews with year 10 and 11 pupils in readiness for their work programmes.

Supporting Enterprise

The RBS Group's Supporting Enterprise programme enhances and broadens the support for enterprise in the core markets, with a particular focus on harder-to-reach groups.

The Supporting Enterprise Community Investment programme is focused on two streams of activity. We work with partners to support potential entrepreneurs directly, through training and mentoring, to help them overcome their particular barriers to entry, and helps build the capability of alternative means of finance and support for would-be entrepreneurs who would not normally qualify for direct support from banks.

RBS Micro Finance Fund

The RBS Group Micro Finance Funds (MFF) is an independent charity supported by the RBS Group. Originally launched in 1999 as a group of 10 registered charities, the charities were consolidated into one fund operating UK-wide in 2008.

MFF exists primarily to support charitable organisations (including, but not restricted to, charities, social enterprises and other organisations run for social impact) by providing finance where they are unable to access sufficient mainstream finance. From launch to end February 2014, the MFF had received over 524 expressions of interest with loans in excess of £6m approved ranging from £30k to £1m.

There is a full time Loans Officer and part time Operations Director seconded from the RBS Group. Volunteers from the RBS Group (using their 5 day community engagement) support the MFF in a variety of roles from being a local liaison point for MFF clients, considering loan applications on the MFF Credit Panel through to other key roles including providing assistance as company secretary to providing advice on strategy and financial modelling.

The Princes Trust

In the UK, we are the largest corporate supporter of The Prince's Trust Enterprise Programme, which helped over 70,000 young people since its inception. This programme offers young entrepreneurs from disadvantaged backgrounds, loan funding, advice and the support of a business mentor (including our own employees) when starting up in business.

In addition, we would also look to continue to support Social and Economic benefits specifically in the Rotherham area - some examples of where we believe this has been demonstrated are as follows:

- **Local charity** - Bank staff have been involved in raising money for local charity which has been matched/supplemented by the bank's Community Cashback Scheme (see above) - local examples are Rotherham Hospice (£1,000), Rotherham Food bank (£6000) and local Macmillan Cancer Support (£5000).
- **Local volunteering** - our staff are provided with five days per annum which can be used for volunteering. As part of this scheme in the Rotherham area, we have staff who act use this time as Governors at a number of local schools including Brinsworth Manor Junior and St Bedes.
- **SME Business Surgeries** - we have run a number of these in the local area where both start up and existing SME clients have been supported by our staff in the Rotherham Business Banking team.

Other activity - in addition to the recent activity above, we have also provided other Local Authorities with the following - support with Credit Unions, Citizens Advice Bureaus and Local Loan funds in terms of establishing, operating and administering plus support to student programs in terms of attending/participating at careers fair's + mentoring and with Finance education via seminars that we have run and our MoneySense program

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	17th September 2014
3.	Title:	Review of Progress Against the Internal Audit Plan for the four months ending 31st July 2014
4.	Directorate:	Environment and Development Services

5. Summary.

This report contains a summary of Internal Audit work and performance for the four months ending 31st July 2014.

Progress on our Audit Plan is slightly below target at this stage of the year for various reasons including the voluntary severance of one member of staff, maternity leave, additional responsive work and the extended scope of some pieces of work. Management actions to bring coverage back into line are being considered.

Based upon the work we have undertaken in the period, we were able to confirm that the Council's control environment was adequate and was operating satisfactorily.

6. Recommendations.

The Audit Committee is asked to:

- **note the performance of the Internal Audit Service during the period**
- **note the key issues arising from the work done in the period**

7. Proposals and Details.

7.1 Background

This report summarises the main activities of the Internal Audit service for the first four months of 2014/15. The report is presented to the Audit Committee to enable the Committee to fulfil its responsibility to oversee the work of Internal Audit. The report summarises:

- performance against key service benchmarks
- planned audit reports issued during the period, highlighting the overall conclusion/opinion for each audit
- the number of high priority recommendations made
- the proportion of recommendations agreed / not agreed
- a summary of responsive work undertaken
- an analysis of use of audit resources
- a summary of key service developments during the period.

7.2 Performance Indicators.

7.2.1 Our performance against a number of indicators is summarised in the table below:

Performance Indicator	**2012/13 Actual**	**2013/14 Actual**	**2014/15 Target**	**Apr to Jul 2014**
Draft reports issued within 15 days of field work being completed.	93%	95%	95%	92%
Percentage of 3 star (fundamental control weakness) recommendations agreed.	100%	100%	100%	100%
Chargeable Time/Gross Time.	65%	63%	63%	61%
Audits completed within planned time.	93%	95%	95%	73%
Percentage of Audit Plan completed.	78%	85%	85%	**
Cost per Chargeable Day.	£275	£265	£265	£273
Client Satisfaction Survey.	100%	100%	100%	100%

*** The % of audit plan completed is a full year indicator.*

7.2.2 Progress on most indicators is close to or on target and we anticipate these will be achieved by the year end.

7.2.3 Exceptions at this stage are in relation to *'Audits completed within planned time'* and *'Percentage of Audit Plan completed'*. The scope on some jobs has been extended causing some jobs to be completed outside of target time. The % of audit plan completed is a full year indicator but at this stage we do not expect to achieve 85%. This is partly because of the overrun on some jobs, but also due to the voluntary severance of one member of staff, maternity leave, additional responsive work. Options for improving the performance in these areas are being considered.

7.2.4 It is pleasing to note that agreement of critical recommendations and client satisfaction with our service continue to be excellent.

7.2.5 Other factors affecting our performance to date are outlined at **Appendix C** – Analysis of Use of Audit Resources.

7.3 Planned Audit Reports and Recommendations.

7.3.1 **Appendix A** shows the audit reports issued during the first four months of the year. Audit findings in most areas indicated that satisfactory control arrangements were in place and testing confirmed that these controls were operating effectively during the period under review. Notwithstanding this, our work shows that there are opportunities to strengthen arrangements in some of those areas. Implementation of Internal Audit's recommendations for improvement will reduce the Council's exposure to risks.

7.3.2 During the period we identified two areas that required us to report an inadequate opinion: -

a) CYPS: Contract for school improvement activity

The Council, via the Schools Forum, approved funding of £2.1M to commission a school company to deliver school improvement activity, including providing leadership courses to Head Teachers and other teachers. We identified that financial governance arrangements were not effective because there was a lack of clarity as to the outcomes that schools were receiving for the money spent and a lack of evidence that value for money had been secured from the arrangement.

We have made a number of recommendations to improve governance arrangements, which have been agreed with CYPS Management.

b) EDS: Highways Final Accounts Arrangements

We found the current arrangements within EDS Streetpride for verifying non fixed-price contract costs during the currency of a contract and at final account stage to be inadequate which could expose the Council to unnecessary financial risk.

We have brought this to the attention of the Strategic Director EDS and made recommendations to ensure robust 'open book' checks on costs are implemented going forward.

7.4 Responsive Audits.

Appendix B summarises responsive work carried out in the period, which can be categorised into two main areas:

- investigative work
- requests for advice and assistance.

Examples of the more significant areas examined in the period include: -

a) NAS: Investigation into suspected financial abuse

Following a request from the NAS Safeguarding Team, we carried out a review of the arrangements in place at a commissioned external service provider for administering the financial affairs of two service users with physical and sensory disabilities.

We identified several transactions using the clients' personal monies which we felt required further investigation by the NAS Safeguarding Team to establish the purpose and validity of the costs. This work is ongoing.

7.5 Analysis of Use of Audit Resources

The Audit Plan presented to the Audit Committee on 23th April 2014 identified the time available for internal audit during the year, the expected number of chargeable audit days and expected usage of available time. An analysis of the actual use of audit resources compared to the profiled budget at the end of July 2014 has been undertaken and is shown at **Appendix C**.

7.6 Summary of Key Service Developments During the Period

Following the renewal of the two-year contract to provide management of Doncaster MBC's Internal Audit service (from April 2013 to March 2015), we continue to work closely with our colleagues at Doncaster MBC to share our expertise, skills and experience of specific audit work. This arrangement currently generates £35,000 annual income to the Authority.

A member of our team continues to make very good progress towards achievement of the CIPFA professional finance and accountancy qualification. She has recently obtained very good passes in the Financial Management and Audit papers.

We have also recently decided to recruit an 'Audit Apprentice'. This will be a temporary appointment for a period of twelve months and helps meet a Council priority of providing quality education and ensuring that people have opportunities to improve skills, learn and get a job. We are currently interviewing for this position and the cost of this post will be met from within the existing budget.

8. Finance.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties.

Failure to deliver an effective internal audit function would weaken the Council's internal control arrangements and increase the risk of erroneous and / or irregular activities.

10. Policy and Performance Agenda Implications.

The strength of Internal Audit impacts upon the Council's internal control environment. A sound control environment is part of good governance, which is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation.

Detailed audit reports.

Contact Names:

Colin Earl, Director of Audit and Asset Management x22033

Marc Bicknell, Chief Auditor x23297

Appendices:

Appendix A: Summary of Planned Audits Completed: Apr – Jul 2014

Appendix B: Summary of Internal Audit Responsive Work: Apr – Jul 2014

Appendix C: Analysis of Use of Audit Resources: Apr – Jul 2014

Appendix A

Summary of Planned Audits Completed: April – July 2014

Area Audited	No. of Recs Made	No. of Recs Agreed	Variance	No. of 3* Recs Made	No. of 3* Recs Agreed	Opinion Adequate/ Inadequate
Children and Young People's Services Directorate						
Learners First Schools Partnership	12	*	*	2	*	Inadequate
Neighbourhoods and Adult Services Directorate						
Davies Court Residential Home	11	*	*	0	0	Adequate
Lord Hardy Court Residential Home	20	**	**	0	0	Adequate
Environment and Development Services Directorate						
Riverside House Library	4	4	0	0	0	Adequate
Customer Service Centres	3	3	0	0	0	Adequate
Riverside House Cafe	9	9	0	0	0	Adequate
Cashiers Service	3	3	0	0	0	Adequate
Commercial Property Rental Income	1	1	0	0	0	Adequate
Thrybergh Country Park	5	5	0	0	0	Adequate
Waste PFI (BDaR)	n/a	n/a	n/a	n/a	n/a	Adequate
Highways Final Accounts Arrangements	2	*	*	0	0	Inadequate
Hire of Plant and Equipment	2	**	**	0	0	Adequate
Other						
Annual Fraud Report	n/a	n/a	n/a	n/a	n/a	Adequate
UK PSIAS Report	n/a	n/a	n/a	n/a	n/a	Adequate
Grants						
Troubled Families (CYPS)	n/a	n/a	n/a	n/a	n/a	Adequate
Rotherham Active Ability (EDS)	n/a	n/a	n/a	n/a	n/a	Adequate
Work for Outside Bodies						
Wingfield Academy – Inventory	6	6	0	0	0	Adequate

* Final report issued – awaiting formal response to recommendations.
** Draft report issued – awaiting feedback/comments.

Appendix B

Summary of Internal Audit Responsive Work: April – July 2014

Description
Children and Young People Services Directorate
CYPS management informed Internal Audit of a data leakage incident in April 2014. We offered verbal advice in respect of how the data leakage incident might have occurred and what steps could be taken to prevent such a breach occurring again.
Neighbourhoods and Adult Services Directorate
We have provided assistance to the NAS Safeguarding Team to investigate the management of two service users' financial affairs by a commissioned external service provider. We identified a number of payments made from the service user's bank accounts for further investigation by the Safeguarding Team. Their investigation is ongoing.
We continue to be involved in the implementation of the new 'Integrated Housing Management System'. In this period we submitted a document to the Project Manager outlining the internal controls which would be expected in a Housing Management system. We then commenced an exercise to assess the extent of compliance with all expected internal controls.
We have undertaken further work reviewing the shared savings model applied to the two Housing Repairs and Maintenance Contracts. We are currently investigating significant variances in the savings being realised from each contract.
We provided benchmarking information to the Corporate Procurement Team on the current threshold at which contracts are procured by formal tender, by neighbouring South & West Yorkshire authorities.
Corporate issues
A routine periodic review of the Vodafone mobile phone contract identified high levels of usage on Directory Enquiries connections. This has resulted in high costs to the Authority, over £500 for one quarter. We have instructed Managers of the correct procedures and recommended a 'Managers Briefing' on the subject is issued to staff. We also identified a small number of instances of high personal usage. This has also been reported to the relevant line managers to follow-up.
Financial Regulations were revised, presented to and approved by Audit Committee on 30th October 2013. However minor revisions were made in April 2014 for the purpose of simplifying and rationalising, to condense the five main areas of the Regulations into three. Guidance Notes were replaced by hyperlinks to separate documents and the updated version was placed on the Council's Intranet.

Appendix C

Analysis of use of Audit Resources April – July 2014

Analysis of use of Audit Resources

	Budget 2014/15	Profiled Budget (Periods 1- 4)	Actual (Periods 1 – 4)	Variance
Internal Audit Establishment	2432	811	799	-12
Less – Maternity Leave	178	45	27	-18
Gross Days Available	**2254**	**766**	**772**	**+6**
Less				
Leave (Annual / Statutory / Other)	335	112	130	+18
Elections	4	4	4	0
Sickness	63	21	54	+33
Service Development	50	17	5	-12
Professional Training and CPD	100	33	13	-20
Management and Supervision	180	60	72	+12
Industrial Action	0	0	7	+7
Admin and Clerical	65	22	20	-2
Less	**797**	**269**	**305**	**+36**
Gross Audit Days Available	**1457**	**497**	**467**	**-30**
Less				
2013/14 Work Carried Forward / Follow Up Work	92	92	141	+49
Less	**92**	**92**	**141**	**+49**
Net Audit Days Available for 2014/15	**1365**	**405**	**326**	**-79**
Responsive Audits	221	74	36	-38
Planned Audits	1144	381	290	-91

Summary

There have been a number of variances between budgeted and actual days, the most significant of which is a reduction against the net audit days that were expected to be available during the period (i.e. by 79 days). The impact of this has been a reduction in the percentage of 'chargeable time' (i.e. time spent on audit work), which has reduced the percentage of the audit plan completed and led to an increase in our 'cost per chargeable day' (see table at 7.2). This is mainly attributable to: -

Appendix C

Analysis of use of Audit Resources April – July 2014

- Sickness absence being higher than expected (+33 days) mainly as a result of one member of staff having a protracted illness prior to commencing maternity leave.
- An increase in the time spent on work carried forward from 2013/14 (+49 days), due to the addition of two extra pieces of work at the end of last year that were not foreseen at the time of preparing the Audit Plan.
- Annual Leave is also higher than the profiled budget (+18 days) due to two members of staff commencing their main summer holiday during July.
- Unforeseen Industrial Action has also contributed to this position.

As mentioned at 7.2.2, we do expect see an improvement in this position by the end of the financial year.

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	**Meeting:**	Audit Committee
2.	**Date:**	17 September 2014
3.	**Title:**	Corporate Risk Register
4.	**Directorate:**	Environment & Development Services

5. Summary

Attached to this report is the current Corporate Risk Register summary. The summary shows the risks associated with the Council's most significant priorities and projects, and actions being taken to mitigate these risks.

The impact of the publication of the Independent Inquiry into Child Sexual Exploitation has created a major risk to the Council, potentially in relation to reputation, public confidence, service disruption, financial claims and morale.

The overall reputation of the Council and the borough has also been affected and consequently the risk rating for this item has increased.

6. Recommendations

The Audit Committee is asked to:

- **note the Corporate Risk Register summary attached at Appendix A**
- **confirm the current assessment of the Council's top corporate risks**
- **indicate any further risks or opportunities that it feels should be added to the risk register.**

7 Proposals and Details

7.1 Format

This report contains the latest position on the Corporate Risk Register. The Corporate Risk Register summary is attached at **Appendix A**. This reflects the current risk assessments for each corporate priority or project in the Corporate Risk Register.

This covering report highlights the top inherent risks.

There are 3 overall categories of risk (RED, AMBER, GREEN) representing varying degrees of exposure. Each category contains a range of risk scores, so there are varying degrees of risk within each category. Appendix A shows the risk category and score for each priority or project included in the register before and after risk mitigation actions.

7.2 Highest inherent risks

The risk register summary shows risks in descending inherent risk order, to emphasize the most significant risks faced by the Authority. The top risks requiring close monitoring are:

- Managing Government budget reductions - unable to maintain key services due to budgetary limits.

  Despite very challenging circumstances, the Council has maintained its successful track record of containing spending within available budget. This performance is to the Council's credit. However, the Council has to save a further £40m+ in the next two years, making it even harder to manage within available resources.

  There will be a change in the way the Council works with communities and its citizens to meet their needs in response to the significance of the financial challenges facing the Council that lie ahead. SLT and Cabinet will continue to monitor very closely the overall financial performance and position of the Council and put in place a strategy to take proportionate and appropriate actions to ensure the Council budget and financial position is sustainable.

- Report into Child Sexual Exploitation

  The publication of the report into child sexual exploitation has generated significant interest and comment at local, regional and national level.

  The report's action plan has been agreed and work has begun to deliver against the recommendations of the report. Other work is underway to identify any additional actions required arising from the publication of the report. ther

  Preparations are underway for an Ofsted inspection and likely corporate governance inspection

- Welfare Reforms

  Government welfare reforms implemented from April 2013 are beginning to have substantial implications for residents affected by benefits reductions and there is a knock-on impact on Council services.

Services are tracking implications and informing Members as appropriate, so that appropriate decisions can be made where necessary.

- Delivering effective Children's Services within budget

  On-going action is being taken by management to provide services within the budget available. Cabinet is being kept informed of the relevant financial challenges as part of the budget monitoring and budget setting processes and is making decisions accordingly.

- Economic Growth

  The risk associated with achieving Economic Growth remains Red in recognition of the on-going weak economic conditions.

7.3 Other key developments / changes during the period

Two risks have been removed from the register:

- Failure to use property assets to support growth – a programme of surplus asset disposals, leading to housing and other developments, has been delivered and is continuing. This is no longer regarded as a major risk
- Closure of the Digital Region Limited project – there is now more certainty of the closure being contained within budget and all circuits have been replaced, making this an obsolete risk

Two new risks have been added:

- Implementation of the Care Act – this is a major piece of legislation requiring substantial planning and resources. Plans are in place so far and will need to adjust to details on the legislation as and when these are released by the Government
- Broadband Delivery UK – provision of superfast broadband across South Yorkshire through a substantial project with BT, Government and the South Yorkshire local authorities. Financial risks have been capped but there are risks relating to coverage if financial overruns exceed available contingencies.

8. Finance

The risks contained in the register require ongoing management action. In some cases additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks should be reported to the SLT and Members for consideration on a case by case basis.

9. Risks and Uncertainties

It is important to review corporate risks on an ongoing basis, to ensure risks relating to the Council's key projects and priorities are effectively monitored and managed by the Strategic Leadership Team and Members.

10. Policy and Performance Agenda Implications

Risk Management is part of good corporate governance and is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation

This report reflects the latest updates provided by the respective 'lead officers'.

Contact Names:
Colin Earl, Director of Audit and Asset Management, x22033
Andrew Shaw, Insurance and Risk Manager, x22088

Appendices
Appendix A Corporate Risk Register Summary

APPENDIX A: SUMMARY CORPORATE RISK REGISTER

No	Risk	Pre Controls 1- 25	**Lead officer** Key Actions/Updates	Post Controls 1 - 25	Links to Corporate Priorities
0027	Managing Government budget reductions - unable to maintain key services due to budgetary limits	**25**	**Martin Kimber** • High priority, driven through Strategic Leadership Team and Cabinet • Actions to mitigate budget reductions are continually being identified • Budget principles have been revised which will see a different approach to the way services are delivered.	**20**	**All Priorities**
0046	Implications of the Independent Review into Child Sexual Exploitation: • Major reputation damage and loss of confidence in the borough • Demoralising impact on employees • Potential financial claims against the Council • Potential impact on inward investment • Short and medium term disruption / distraction from services • Subsequent Ofsted and Corporate Governance Inspections.	**20**	**Martin Kimber** • Maintenance of services through strong and positive leadership and communications with staff • Rebuilding and maintaining public confidence in current services • Agreement of action plan in response to the Independent Review • Preparations for Ofsted inspection in progress • Governance Group in place to manage any Corporate Governance Inspection • The current number of financial claims received is low and they are being investigated in conjunction with council's claims handlers and legal representatives. This could increase and have a significant impact on the Council's financial position.	**16**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence **Priority 4:** Helping people to improve their health and wellbeing and reducing inequalities within the borough

0037	Welfare Reform: • Significant pressures arising from the localisation of various resources and a reduction in overall funding available, limited administration capacity and reduced collection of Council Tax. • Potential major impact of reduced housing benefits, leading to higher debts, increasing demand for shrinking services, and increasing poverty and vulnerability. Potential to increase gap in communities' needs. • Negative overall impact on the local economy, with spiralling consequences. • Potential increase in crime.	**20**	**Martin Kimber** • Effective communications especially in relation to discretionary benefits and arrangements for assisting those in need to access benefits. • Provision of food banks and depot facility. • Corporate Policy on the top 11 deprived areas. • Additional HRA resources are being deployed to support Council tenants. • Uncertainty over the introduction of Universal Credit by the Government. Implementation should have commenced in October, but there is still no date or any other details as the nationwide programme has slipped. • Contract with LASER credit union has been extended until March 2015. • Consideration is underway towards producing options for provision after the end of two year government funding for local welfare provision. • Scrutiny review of benefit sanctions recommendations adopted.	**15**	**All Priorities**
0022	Unable to deliver effective Children's Services within budget	**20**	**Joyce Thacker** • Continuous monitoring of budget and reporting to SLT / Cabinet • On-going monitoring and reporting of budget position, with improvement expected in the outturn position. • Ofsted inspection profile maintained / improved. • Strategy in place for 14/15 to create	**15**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence

Page 52

			additional capacity for teenage foster placements to reduce reliance on out of authority placements. • Exploring use of invest to save/ social impact bonds to create alternative support packages for teenagers in or on the edge of care.		
0040	Developing economic growth, increase business rates income and increase opportunities for residents	**20**	**Karl Battersby** • Significant and previously successful inward investment activity • Detailed support programme for local businesses • High quality start up facilities • Maximising location and transport advantages	**15**	**Priority 1:** Stimulating the local economy and helping local people into work
0021	Failure to sustain improvement in Children's Services	**20**	**Joyce Thacker** • The 2014 assessment results show improvements at every key stage **Early Years - EYFS** • Rotherham's performance for a good level of development has increased by 6.5% to 62.2%. This is 2% above the national average at 60.3%. • Average Total Points (ATP) has increased and is above the national average. • The % inequality gap was reduced by 3.2% to 32.5%, this is 4.1% below the 2013 national average. **Phonics** • 68.7% of pupils in year 1 achieved the standard mark in the national phonics screening check in 2014. The	**12**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence

			gap to the national average is reduced slightly to 5.3%. **Key Stage One** • The improvement in overall results in Rotherham in 2014 is in all subjects and levels. The improvement is below the national average improvement therefore the gap has widened. **Key Stage Two** • The KS2 results in 2014 show an increase in all subjects at all levels. The gap to national averages has narrowed in all subjects at all levels and above the national average in mathematics for the first time. **Key Stage Four** • The provisional 5+A*-C including English and mathematics average is 60.1% • The provisional 5+A*-C average is 67.1%		
0041	Failure to improve health and wellbeing through the work of the health and wellbeing board, its high-level strategy, and associated plans	**20**	**Tom Cray** • Health and Wellbeing strategy in place and being delivered through a set of six workstreams, monitored by a multi-agency steering group. • Strong focus on prevention, independence and helping people to help themselves. • Good partnership working driven by the Health and Wellbeing Board and steering group • Public health fully integrated • Further development of the Better	**12**	**Priority 4:** Helping people to improve their health and wellbeing and reducing inequalities within the borough

			Care Fund plan to promote and improve integrated working across health and social care. • Revised submissions of the Better Care Fund plan due 19 September following updated national guidance • Deliver improvements in the Public Health Outcomes Framework via the Public Health Commissioning Plan		
0044	Family Poverty • Tackling poverty is a key priority for the Health and Wellbeing Board and the 11 most deprived neighbourhoods agenda	**20**	**Joyce Thacker** • 'Families for Change' programme established - targeted support for Families around money management • Families for Change contract let • Early help family support programme in place • Ofsted evidence shows that schools are making effective use of the additional pupil premium funding designed to help disadvantaged families. • Summer term take up of meals continued to improve with an additional 800 meals supplied per day compared to 2013. • The Universal Infant Free School Meal project (UIFSM) commences in September with an expectation that an additional 2,000 meals per day will be supplied.	**12**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence
0031	Academies, Free Schools and other school settings - Potential impact on LA schools and the Council e.g. loss of revenue,		**Joyce Thacker** • By April 2014 there will be 24 schools in the Borough converted to Academy status. The LA / Academy		**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their

Page 55

	falling pupil numbers, reduced attainment, breakdown in relationships etc	**16**	relationships have been maintained and all schools continue to sign up to the Rotherham School Improvement mission. • Maximise potential for income generation with Academies through the provision of quality services via competitive SLA agreements. • School Governing Bodies continue to meet in whole Learning Community meetings, exploring the implications of Academy conversion, collaborative / partnership working and other models • Work is ongoing in relation to the establishment of the new Central Primary School. • The first Free school application is in to set up an Alternative Provision/ Pupil Referral Unit in Rotherham. The DfE has rejected the application for the Free School and have requested further information from the sponsor.	**12**	independence
0030	Schools Collaboration- impact of schools commissioning on LA services	**16**	**Joyce Thacker** • Monitoring of schools' appetite for change is on-going. Positive discussions continue between the Rotherham School Improvement Partnership and Teaching School Alliance • Portfolio of services review completed. Schools and Academies continue to procure many RMBC services at present via Service Level Agreements • Work continues in relation to the new schools funding arrangements	**12**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence

Page 56

			effective from 2013 onwards. • Academies continue to buy back LA provided services via SLA maximising potential income streams. • Consideration being given to have all central support services for schools fully traded.		
0042	Identifying opportunities to rebuild the reputation of the Council and the borough in the interests of local communities and the local economy; rebuilding public confidence in local services; providing reassurance to local communities by communicating strengths of RMBC and Rotherham; opportunities to attract inward investment. Maintaining commitment to engaging with communities to deliver council priorities.	**16**	**Martin Kimber** • Significant damage caused to the Council's reputation following the publication of the Independent Report on Child Sexual Exploitation • Budget consultation – strong engagement with local communities through development of e-consultation on 2014/2015 budget proposals • Digital engagement strategy under development – supporting greater engagement with communities.	**12**	**All priorities**
0048	Implementation of Care Act 2014 Risk of failure to deliver to key legislative changes, increased demand in services and increased legal challenge by customers.	**16**	**Tom Cray** • Care Act Board established with implementation plan • Staff workforce development programme • Ongoing work to estimate demand and undertake system redesign • Financial implications of the Act are being modelled	**9**	**Priority 2:** Protecting our most vulnerable people and families, enabling them to maximise their independence **Priority 4:** Helping people to improve their health and wellbeing and reducing inequalities within the borough
0045	Pandemics and communicable		**John Radford**		**Priority 4:** Helping

Page 57

	diseases. Risk now rests with local authority since transfer of Public Health Service.	**10**	• Multi agency plans in place to manage risks of communicable disease and potential pandemics. • Flu and targeted vaccination programmes initiated • At risk groups identified and immunised	**6**	people to improve their health and wellbeing and reducing inequalities within the borough
0039	Municipal Mutual Insurance (MMI): Insurance Liabilities MMI has gone into administration following a landmark ruling by the Supreme Court ruling on Employer's Liability relating to asbestos claims. As a stakeholder, the Council will have to contribute to any company deficits resulting from the ruling.	**9**	**Karl Battersby** • Initial levy of up to £1.32m advised by the Administrators in early 2013. • A provision in the accounts has been created to meet this liability. • Potential future requirement for a marginal increase in the current provision.	**6**	**All Priorities**
0047	Delivery of the Broadband Delivery UK project targets. Failure to achieve targets. Cost falls on the Council	**9**	**Karl Battersby** • Councils in S Yorks have agreed to contractual and funding arrangements • Financial risk is capped and is likely to be met through Sheffield City Region funding • Risk lies in the level of coverage achievable in the event of any financial overruns.	**6**	**Priority 1:** Stimulating the local economy and helping local people into work

Page 58

Agenda Item 9

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**17 September 2014**
3.	**Title:**	**KPMG Comparison of Corporate Risks**
4.	**Directorate:**	**Environment & Development Services**

5 Summary:

This report refers to a comparison of risk registers completed in the Summer by KPMG.

6 Recommendations

The Audit Committee is asked to:

- **note the analysis produced by KPMG,**
- **note the comments made on risks included elsewhere but not in Rotherham's risk register, and**
- **support the actions proposed to update various assessments, taking into account recent changes.**

7 Details and Proposals

The document attached at **Appendix 1** shows a summary produced by KPMG of an analysis of risk registers across various local authorities. It shows items included in local authorities' registers by both (a) all local authorities and (b) single tier authorities including Rotherham Council.

The report was produced by KPMG prior to the publication of the independent report into child exploitation and the subsequent inclusion of this issue in Rotherham Council's risk register.

There are a small number of items in other local authorities' registers that do not appear in the Council's register. Comments on these are as follows:

Risk	Comments / Proposals
Business continuity / Disaster recovery / emergency planning	Corporate arrangements are regarded as well-established, efficient and effective, not leaving this area with a mitigated risk ranking that would require its inclusion on the corporate risk register. However, there have been a large number of changes across the Council, and ensuring arrangements remain fit for purpose is an EDS Directorate priority for 2014/15. Any actions resulting from this work will inform the risk assessment and whether corporate level status is required.
Partnership arrangements / governance	Again, previous work has demonstrated satisfactory arrangements, but with many changes occurring, it is proposed to refresh our analysis. This is not regarded as a corporate level risk, although this assessment will be updated when a refresh is completed.
Data loss / Information security / Information Governance	The Information Governance Team within Legal Services ensures the Council complies with requirements. The Information Governance Officer provides a regular update to the ICT Strategy and Governance Board. Performance is generally good and this is not regarded as a corporate risk.
Staff morale	Staff surveys have shown morale has been maintained. Directorates have responsibility for taking any actions to address less positive areas in the most recent survey(s). Workforce development is also a key priority for directorates. This is not regarded as a corporate risk, after taking into account mitigating actions.

Risk	Comments / Proposals
Health and safety Compliance	The Council has a positive track regard on Health & Safety management and investigates any serious incidents fully and immediately, to the satisfaction of the HSE. There have been no recent on site investigations by the HSE. Health & Safety Risks are managed by services with the support of the corporate service situated in EDS Directorate.
Delivering major projects	Risks associated with major projects are assessed as part of the management and implementation of the projects. Any projects considered significant from a corporate perspective are included in the corporate register (eg Broadband Delivery UK, Welfare Reforms).
Delivering organisational change	Links to the delivery of major projects, any change requirements associated with major projects are incorporated into the projects.

It is proposed that reports will be presented to the Audit Committee on the outcomes of refreshes referred to in the table above, as appropriate.

8. Finance

Corporate risks require ongoing management action. In some cases additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks should be reported to the SLT and Members for consideration on a case by case basis.

9. Risks and Uncertainties

It is important to review corporate risks on an ongoing basis, to ensure risks relating to the Council's key projects and priorities are effectively monitored and managed by the Strategic Leadership Team and Members.

10. Policy and Performance Agenda Implications

Risk Management is part of good corporate governance and is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation

This report provides a comparison using the Council's corporate risk register dated June 2014. A further update to the risk register is being reported to Members during September.

Contact Names:
Colin Earl, Director of Audit and Asset Management, x22033

Appendices
Appendix A KPMG Comparison of Risks

KPMG
cutting through complexity

Local Authority Corporate Risk Register Analysis – Single Tier Authorities

Rotherham Metropolitan Borough Council

Local Authority Corporate Risk Register Analysis

Background

Risk management is a critical management tool to manage, assess and prioritise risks therefore enabling resources to be applied to minimise, monitor and control the probability and/or the impact of negative events.

An important component of the risk management process is the corporate risk register, which identifies those risks which are critical for management to minimise, monitor and control.

KPMG has used its extensive audit client base to undertake some Corporate/Strategic risk register analysis. The exercise compared the corporate risk registers from a range of local authorities. The outcome highlights the most frequently featured risks across local authority risk registers.

We also considered the arrangements in place to maintain and review risk registers at the local authorities. Our analysis focused on the following key questions:

- Do local authorities use a specific software package to support risk management?
- How often are risk registers reviewed by the relevant officer group?
- How often are risk registers reviewed by the relevant member group?

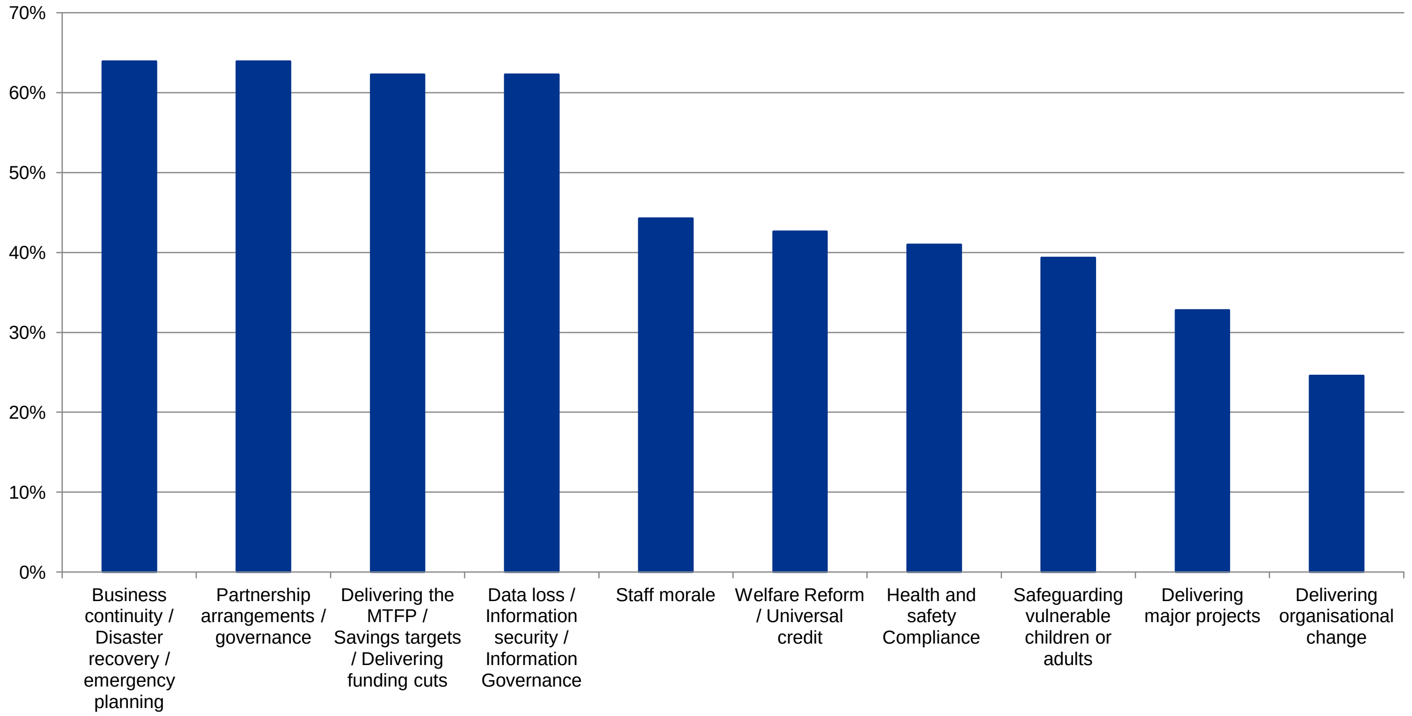
Purpose

Organisations should use the comparative information to help:

- Consider whether there are potential risks that may have been omitted from your own risk register;
- Challenge how risk management is supported in terms of use of software; and
- Challenge how often risk registers are reviewed by relevant officers and members.

Local Authority Corporate Risk Register Analysis (cont.)

Most frequently featured risks across all authority types



Given the concern over financial pressures affecting all local authorities, it is noticeable that only 62% of authorities surveyed included a specific risk relating to delivering the medium term financial plan/saving targets/delivering funding cuts. It was also noticeable that this was not the most frequently featured risk across the population in this exercise.

As can be seen in the chart above there are four risks which are significantly more frequently occurring in the risk registers than other risks. These are:

- Business continuity/disaster recovery incidents/emergency planning;
- Partnership arrangements/governance concerns;
- Delivering the medium term financial plan/saving targets/delivering funding cuts; and
- Data loss/information security/information governance risks.

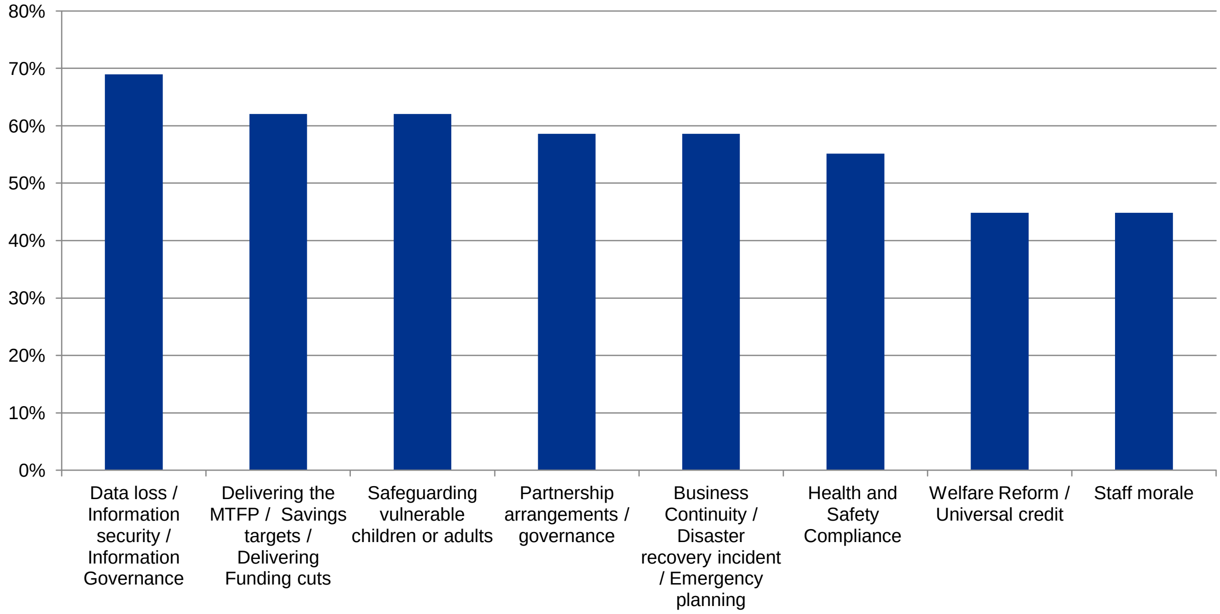
Given the very significant potential business impact and reputational issues, we can clearly see why risks relating to business continuity/disaster recovery incidents/emergency planning and data loss/information security/information governance feature highly in risk registers.

Many local authorities are looking at new ways to operate including in partnership with other organisations and hence many authorities report a risk relating to partnership governance arrangements. Finally it is interesting to note that staff morale was a risk on the corporate risk register of 44% of local authorities included in this exercise. We note that this risk has not featured as strongly in risk registers in the past.

Local Authority Corporate Risk Register Analysis (cont.)

Most frequently featured risks across single tier authorities

The chart below shows the eight most frequently identified risks at the single tier authorities included in the exercise.



If you exclude the safeguarding risk, which is clearly not a relevant risk for all authorities (e.g. District Councils) the top four risks for single tier authorities are the same as the all authority type analysis and similar to that analysis it is noticeable that delivering the medium term financial plan/savings targets/delivering funding cuts was not the most frequently featured risk, and was a risk at only 62% of single tier authorities.

Against a background of the significant reputational and business impact of safeguarding cases which several local authorities have had in the recent past it is also noticeable that safeguarding vulnerable children or adults, was only identified in 62% of single tier authorities.

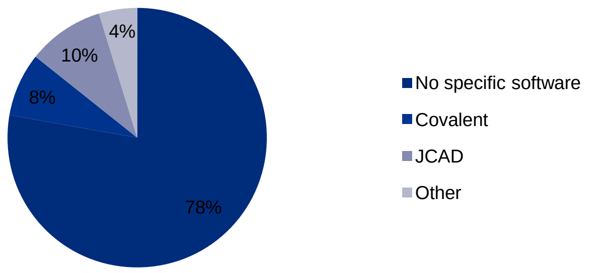
Welfare reform was reported as a risk at 45% of authorities in this group, in fact it was a risk in 89% of authorities that still had a Housing Revenue Account included in this exercise. This therefore appears to be a significant risk facing most local authorities with social housing stock. To add further weight to this assessment, it was also a risk at 86% of district councils we included in a separate assessment which still retained social housing stock. We note you have recognised this as a red risk on your risk register.

From reviewing your corporate risk register we note there is no risks concerning business continuity, information security, partnership governance, health and safety and staff morale which are risks areas that have been identified at many other local authorities. We also note your risk register considers local issues such as the risks regarding Digital Region Limited.

Local Authority Corporate Risk Register Analysis (cont.)

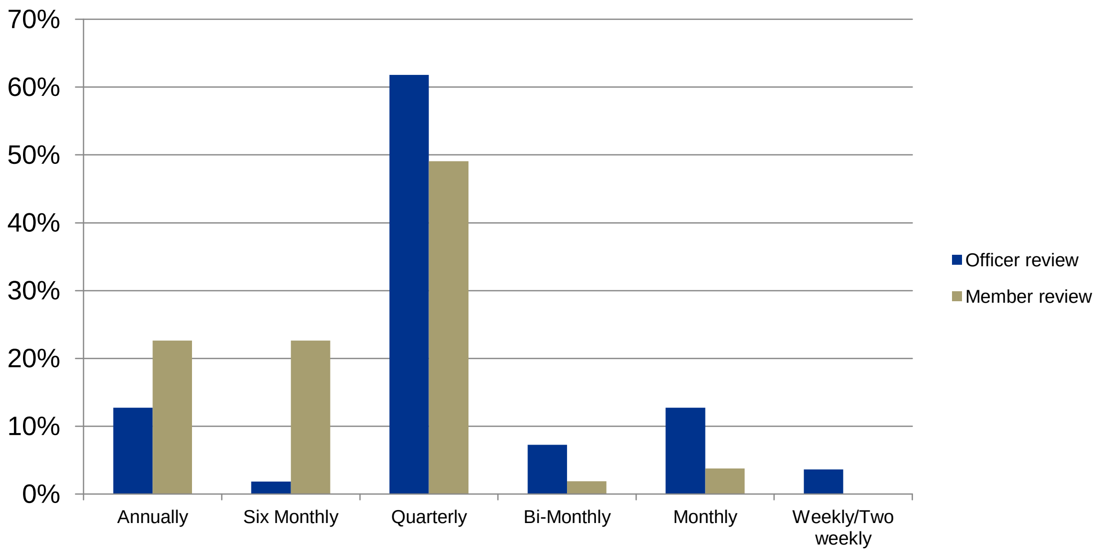
Software used to support risk management

The chart below shows that 78% of authorities do not use specific risk management software. Of the authorities that do use specific software the most commonly used packages are Covalent and JCAD. We note you use JCAD as your risk management software.



How often are risk register reviewed by relevant officer and member groups

The chart below shows how often the relevant officer and senior member groups review the corporate risk register. Both officer and member reviews most commonly take place on a quarterly basis. On average for the authorities included in the exercise, the senior officer review took place 6 times a year and member review took place 3 times a year. We note your risk register is reviewed inline with the average for the authorities included in the survey.



The report is intended solely for use for internal purposes by Rotherham Council and should not be used by or distributed to others without our prior written consent. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**17th September, 2014**
3.	**Title:**	**Annual Governance Statement 2013/14**
4.	**Directorate:**	**Environment & Development Services**

5 Summary:

This report highlights an addition to the Annual Governance Statement 2013/14, to make reference to the Independent report into Child Sexual Exploitation published on 26 August 2014.

The (Deputy) Leader and Chief Executive are required to sign the AGS prior to its submission to the Audit Committee on 17 September.

6 Recommendations

SLT is asked:

- **To approve the revised 2013/14 Annual Governance Statement**
- **To note the requirement for the (Deputy) Leader and the Chief Executive to sign the statement prior to 17 September.**

7 Proposals and Details

In July 2014 the Audit Committee agreed the draft Annual Governance Statement (AGS) 2013/14.

In accordance with the Accounts and Audit Regulations, the AGS has to be published alongside the Council's audited Statement of Accounts, by 30 September each year. The Audit Committee will be receiving the accounts for approval and signing at its meeting on 17 September.

Ordinarily, there are no changes between the agreed drafts and the final versions. However, the AGS is required to reflect any significant governance issues arising up until the point it is signed, which should be as close to the same day as the signing of the accounts at the end of the external audit of the accounts (ie September).

In early 2014 the Council commissioned an independent review into child exploitation in Rotherham between 1997 and 2013.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children. The publication of the report has generated significant interest and comment at local, regional and national level.

A report of such significance must be reflected in the Council's AGS.

The proposed insert has been added to section 5.2 (p12) of the attached AGS and reference made to it in the Deputy Leader and Chief Executive Certificate (section on p13) of the AGS. These are extracted below for ease of review. The remainder of the AGS is unchanged from the version agreed by the Audit Committee in July as there have been no other significant issues requiring the Statement to be changed:

Extract from the Annual Governance Statement:

5.2 Review of arrangements 2013/14

Child Sexual Exploitation

In September 2013 the Council's Cabinet commissioned an independent inquiry into child sexual exploitation in Rotherham between 1997 and 2013, because it wanted to ensure young people are properly protected from the threat of exploitation.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children.

The Council and its partners have provided public reassurance that the services today are different, stronger and better co-ordinated. The Independent Inquiry confirms the findings of a series of recent inspections and reviews by other bodies and which have been undertaken since 2009. These have all found the Council's services have improved since being placed in formal Government intervention at the end of 2009, and continue to improve.

Notwithstanding this, the Council has agreed an action plan to address relevant issues raised in the independent report; to improve its own and multi-agency working arrangements even further, and to investigate any additional evidence indicating inappropriate actions taken by any officers or Members of the Authority.

A copy of the report and action plan can be found on the Council's website at https://moderngov.rotherham.gov.uk/ieListDocuments.aspx?CId=415&MId=12915&Ver=4

6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Metropolitan Borough Council and the operation of the arrangements during the year.

We draw attention to the reference to the Independent Review of Child Sexual Exploitation referred to in Section 5.2. The Council has put in place an action plan to respond to the weaknesses raised in the report and will monitor the implementation of the action plan, to ensure the required improvements are achieved.

7 Finance

There are no direct financial implications. Any financial implications arising from any future development of internal controls would feature in subsequent reports to Members.

8 Risks & Uncertainties

Failure to apply sound internal controls and good governance places the Council at greater risk of fraud and/or error. The Council and Rotherham could also suffer significant damage to reputation and public confidence in its services caused by any actual incidences arising out of weaknesses in its arrangements.

Failure to produce an Annual Governance Statement would leave the Council subject to criticism by the External Auditor and potential action by the Department for Communities and Local Government.

9 Policy & Performance Agenda Implications

Good governance is wholly related to the achievement of the objectives in the Council's Corporate Plan.

10 Background and Consultation

This report has been informed by the views of the Chief Executive, Strategic Directors, Service Directors, Cabinet Members and the External Auditor.

Following consideration and agreement by the Audit Committee, the Chief Executive and the Council's Leader will be asked to sign the statement before its publication in September 2014.

Contact Names:
Colin Earl, Director of Audit and Asset Management, Ext 22033

Appendix A
Annual Governance Statement 2013/14

APPENDIX A

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2013/14

1 SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rotherham Metropolitan Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts

3 THE GOVERNANCE FRAMEWORK

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

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

The Council keeps up to date its corporate plan and strategy which set out what the priorities will be for the borough and how the Council aims to contribute to these.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners including local businesses, South Yorkshire Police, Voluntary & Community Sectors, and the Health Service.

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

The Council periodically updates its vision, objectives and performance targets. Progress on key priorities is monitored and reported to Members on a regular basis.

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

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS).

The Council's performance management system is linked to corporate priorities and reports are aligned to corporate plan priorities.

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

The Council operates what is known as the "strong leader" model of local government following changes arising from the Local Government and Public Involvement in Health Act 2007.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution sets out the basic rules governing the manner in which the Council conducts its business.

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

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

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

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

The Localism Act abolished the requirement for councils to have a statutory standards committee, although it is still a statutory requirement to have a code of conduct for councillors, the only stipulations being that the code when viewed as a whole must comply with the seven principles of public life (the Nolan Committee principles) and contain appropriate provisions in relation to pecuniary and non-pecuniary interests.

The Council resolved to have a voluntary standards committee to replace its statutory standards committee when the standards provisions in the new Act came into force.

The Council's voluntary Standards Committee comprises of Councillors, Parish Council Representatives and Independent Members. It is cross-party and has 14 members comprising of:

- 8 Councillors
- 3 Independent Members
- 3 Parish Council Representatives

3.6 Reviewing and updating Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders and Financial Regulations. The Council has designated the Director of Financial Services as the officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

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

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

Asset management planning optimizes the utilization of assets in terms of service benefits and financial return.

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which service directors are actively managing.

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

The Council's Chief Financial Officer:

- Is a key member of Leadership team, helping it to develop and implement strategy and resource to deliver the Council's strategic objectives sustainably and in the public interest
- Is actively involved in and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the Council's financial strategy
- Leads the promotion and delivery by the whole organization of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

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

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

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment. The Audit Committee also oversees the financial reporting process and provides independent scrutiny of the Council's financial and non-financial performance.

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

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

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

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

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

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

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme. Individuals' targets are derived from service and team plans.

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

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

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

The Council entered into a range of public consultation exercises in developing the vision for Rotherham. The Corporate Plan reflects important issues identified by local communities.

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

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

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

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

4 REVIEW OF EFFECTIVENESS

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the role of:

4.1 The Strategic Leadership Team

The Council's Strategic Leadership Team (SLT), chaired by the Chief Executive, is responsible for putting in place corporate governance arrangements that will safeguard the Council's financial transaction, its assets and its reputation.

SLT reviews all key reports before they are presented to Members, including many of the reports listed below, to ensure the Councils standards, policies and procedures are complied with.

4.2 The Executive (Council / Cabinet)

Cabinet has continued to update the Corporate Plan and the Council's Policy Framework is reviewed annually.

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

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

During 2013/14 the Cabinet considered and reviewed the following good governance related issues:

Vision / Strategy: • Housing Rent Increase 2014/15 • Digital Region • Rotherham Local Plan Steering Group • Amendments to the Code of Conduct • Sheffield Region: Inter- Authority Agreement • Local Development Scheme • Local Plan: Public Consultation • Submission of Rotherham's Core Strategy • Rationalization of Property Portfolio Members' Training and Development Panel • Improving Standards in the Private Rented Sector by Adopting New Strategic Interventions • Yorkshire and Humber Grid for Learning – Trading Arm Development • New Discretionary Rate Relief Applications – Top Up Applications • New Application for Hardship Relief 2013/14 • Rotherham Biodiversity Action Plan 2012 • Downsizing Policy Report • Universal Credit: Local Support Services Framework • Home Affairs Select Committee – Child Sexual Exploitation and the Response to Localized Grooming • Urgent Care Centre Consultation • The Implications of the DCLG Technical Consultation on the Local Government Finance Settlement for 2014/15 and 2015/16/ Consultation Response • Appointment of Deputy Leader • Combined Authority Consultation • Proposed Restructure of RMBC Pupil Referral Units • Core Strategy Examination • Investing to Stimulate Further Development at the Advance Manufacturing Park • Re-Commissioning of Leaving Care and Looked After Children's Services • A Strengthened Approach to Enforcement	• Amended Home to School Transport Policy • Public Health Outcomes Framework • Local Plan – Consultation on Main Modifications to the Core Strategy • Sheffield City Region Combined Authority – Appointment of Representatives • Director of Public Health Annual Report • Public Health Commissioning Plan • Formation of a Trading Company for Yorkshire Purchasing Company **Financial Management :** • Capital Receipts Update • Capital Programme Outturn 2013/14 and Updated Estimates 2013/14 to 2015/16 • Revenue Account Outturn • Revenue Budget Monitoring • Capital Programme Monitoring 2013/14 and Capital Programme Budget 2014/15 to 2016/17 • Treasury Management Strategy & Prudential Indicators Monitoring 2013/14, 2014/2015 to 2016/2017 • Non-Domestic Rate Discretionary Relief Policy • Capital Programme Monitoring Report • Proactive Insolvency for Council Tax and Non Domestic Rates • General Fund - Budget Principles 2014/15 and Onwards 2014/15, Proposed Budget Setting Timetable and 2013/14 Reporting in Year Financial Budget Performance • The Implications of the 2013 Spending Round for Council's Financial Projections • Adult Community Learning Fees and Funding Policy • Additional Long Term Loan Finance in Support of the Redevelopment of No's 25-29 High Street, 'The Three Cranes', and No. 29A High Street • Calculation of Council Tax Base 2014/15 • Retained Business Rates Estimates 2014/15 • Budget Savings Proposals – Integrated Youth Support Services • Schools Funding 2014/15 • Proposed Revenue Budget and Council Tax for 2014/15

• Housing Complaints – Designated Persons, Housing Ombudsman Service and Housing Complaint Procedure • Revision of RMBC'S Council Housing Allocations Policy **Corporate Governance :** • Welfare and Benefits Reform • Annual Governance Statement • Supporting People Programme – Proposed Governance Arrangements Localism Act 2011 and Standards Regime – Appointment of Independent Person **Performance Management :** • Members Training and Development Panel • School Improvement Strategy **Risk Management :** • Corporate Risk Register **Internal Audit :** • Audit Committee Annual Report	• Non Domestic Rates – Proposed Retail Relief Scheme for 2014/2015 and 2015/16 • Debt Management and Recovery Policy for Adult Social Care Debt **External Inspections / Reviews :** • Scrutiny Review of Continuing Healthcare - Response • Scrutiny Review – Fuel Poverty • Magna Trust Loan Request • Autistic Spectrum Disorder Scrutiny Review and Response to Review • Ground Maintenance Scrutiny Review • Rotherham Environment and Climate Change Strategy and Action Plan Review 2013 • Community Amateur Sports Clubs Review • Scrutiny Review of RMBC Residential Homes • Response to the Review by the Improving Places Select Commission of Grounds Maintenance and Street Cleansing Services • Review of Assisted Areas • Scrutiny Review of Carers • 2014/15 Budget – Review of the Provision of Household Waste Recycling Centres • Review of Council Office Accommodation in the South of the Borough

4.3 The Audit Committee

During 2013/14 the Audit Committee provided independent assurance about the following good governance related issues:

Internal Control, Corporate Governance & Risk Management : • Annual Fraud Report • Risk Management Update • Localism Act Update • Managing the Risk of Fraud – Anti Fraud and Corruption Arrangements /Strategy • Corporate Risk Register • Annual Governance Statement • Transfer of Public Health Services – Risk and Risk Management Arrangements • Local Authority Governance – Consultation • Anti-Fraud and Corruption Action Plan • Risk Management and Mitigation in the Housing Revenue Account 30 Year Business Plan	**Financial Management :** • Treasury Management Report, Actual Prudential Indicators and Investment Strategy • Mid-Year Treasury Management and Prudential Indicators Reports • Final Accounts Closedown • Statement of Accounts and Unaudited Statement of Accounts • Budget Settlement • Housing Rents • Revised Financial Regulations **External Audit :** • KPMG Annual Audit Letter • Statement of Accounts and Unaudited Statement of Accounts

• Annual Review – Insurance and Risk Management Performance • Assessment of Current Local Government Risks – KPMG Audit Committee Institute **Internal Audit :** • Audit Committee Annual Report • Internal Audit Annual Report • National Fraud Initiative • Audit Commission - National Fraud Initiative – Review and Developments • Audit and Inspection Recommendations Update Report • Internal Audit Plan/ Review of Progress against the Audit Plan	• KPMG Grants Report • KPMG Interim External Audit Report • Update on External Inspection Recommendations

4.4 Overview and Scrutiny Management Board

During 2013/14 the Overview and Scrutiny Management Board considered and reviewed the following good governance related issues:

Vision / Strategy : • Children's Commissioner's Take-Over (11 million take over day) • Overview and Scrutiny Management Board Work Programme • Scrutiny Annual Report • Sheffield City Region Combined Authority • Ground Maintenance Review • Centre for Public Scrutiny Annual Survey • Process to Strengthen the Code of Recommended Practice on Local Authority Publicity – Consultation • Scrutiny Review of the Council's Residential Homes • Corporate Priorities • Scrutiny Review – Monitoring Arrangements • Continuing Healthcare Scrutiny Review – Cabinet Response • Scrutiny Review on Residential Homes – Cabinet Response • DCLG Technical Consultation on the Local Government Finance Settlement 2014/15 and 2015/16 Consultation Response • Scrutiny Review of the Department for Work and Pensions' Sanctions Regime • The Future of Tourism and the Visitor Economy in Rotherham • Scrutiny Review of Support to Carers	**Performance Management :** • Safer Rotherham Partnership – Performance Update **Financial Management :** • Fuel Poverty – Review of Fuel Poverty • General Fund – Budget Principles 2014/15 and Onwards 2014/15, Proposed Budget Setting Timetable and 2013/14 Reporting in Year Financial Budget Performance • Living Wage **Risk Management :** • Corporate Risk Register **Corporate Governance :** • Localism Act 2011 • Housing Benefit Reform • Legislative Programme 2013/14 • Welfare Reform **Communications and Engagement :** • Equality Act • Public Engagement in Overview and Scrutiny

4.5 The Standards Committee

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

Corporate Governance :	**Capacity and Capability :**
• Localism Act and Standards Regime • Monitoring Officer Update – Ballot of Parish Councils, Dispensations and the report of the Committee on Standards in Public Life, Standards Matter/Referral of matters under the Code of Conduct • Confidential Reporting Code • Appointment of an Additional Independent Person • Allegations of Breaches of the Code of Conduct • Update by the Monitoring Officer Regarding Handling of Complaints • Recruitment of Independent Members, Update from the Parish Council Joint Working Group and Summary Notes on the Role of the Independent Person	• Standards Regime

4.6 Internal Audit

During 2013/14 Internal Audit reviewed all the Council's main financial systems, i.e. Council Tax; Business Rates; Creditors; Debtors; Payroll; Housing & Council Tax Benefits; Housing Rents. Internal Audit concluded that the overall control environment was satisfactory in all of these systems.

They reported an overall inadequate opinion in three areas during the period:

- Weaknesses in the arrangements for checking the contractor's applications for payment, on a major highways improvement scheme, were identified which led to significant overpayments. The majority of these were later identified and corrected by the contractor; however, Internal Audit concluded the overall control environment to be inadequate. Recommendations to address the weaknesses have been made and management's response to these is currently outstanding.

- During a furniture stores audit Internal Audit identified fundamental weaknesses in stock control, which placed the stock at significant risk of manipulation for fraudulent purposes. There was no monitoring and/or reconciliation of paid invoices to ensure all expenditure was genuine. Internal

Audit concluded that the overall control environment was inadequate and made a number of recommendations to address the issues.

- Internal Audit carried out a review or arrangements relating to the use of £2.1m Dedicated Support Grant for school improvement services. The review found significant weaknesses relating to commissioning, monitoring and reporting arrangements and a weak overall governance and control framework for the use of the funding. Recommendations have been made to management and some remedial actions have already commenced.

Control arrangements in relation to the above areas were regarded as inadequate, although they were not regarded as having have exceeded the threshold requiring them to be shown in the Annual Governance Statement as 'Significant Weaknesses'.

In all cases follow up reviews have been planned for 2014/15 upon implementation of the recommendations.

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

KPMG reviewed the work Internal Audit were required to carry out on the main financial systems. They concluded that "We have gained an understanding of Internal Audit and the work of Internal Audit. We are satisfied that we can rely on Internal Audit as a function and the work of Internal Audit, where required for the audit of the financial statements".

Further, KPMG reviewed five of the main accounting systems working files prepared by Internal Audit and they concluded "we are satisfied by the work and used it accordingly in our audit approach in the audit of the financial systems of 2013/2014."

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on the 2012/13 significant governance issues

The 2012/13 AGS highlighted two significant issues from earlier years that remained incomplete and merited further assurances. Both these areas were resolved during 2012/13 as follows:

Swinton Community School

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young

People Services Directorate, the School made substantial progress and anticipated achieving a balanced position for the 2013/14 financial year.

This was subsequently achieved.

Children and Young People's Services
There continued to be significant financial pressure on Children's Services.

Investment in placement services and improved commissioning of contracts had resulted in significant cost avoidance.

There was focus on moves towards a more cost-effective prevention and early intervention approach with a view to achieving further cost reductions in the longer term.

Consequently, pressure on Children's Services spending was successfully contained within the 2013/14 overall budget provision.

5.2 Review of arrangements 2013/14

Child Sexual Exploitation

In September 2013 the Council's Cabinet commissioned an independent inquiry into child sexual exploitation in Rotherham between 1997 and 2013, because it wanted to ensure young people are properly protected from the threat of exploitation.

The report resulting from the review was produced on 21 August 2014 and published on 26 August 2014. It raises a series of significant failings over time in the arrangements in place for protecting vulnerable children.

The Council and its partners have provided public reassurance that the services today are different, stronger and better co-ordinated. The Independent Inquiry confirms the findings of a series of recent inspections and reviews by other bodies and which have been undertaken since 2009. These have all found the Council's services have improved since being placed in formal Government intervention at the end of 2009, and continue to improve.

Notwithstanding this, the Council has agreed an action plan to address relevant issues raised in the independent report; to improve its own and multi-agency working arrangements even further, and to investigate any additional evidence indicating inappropriate actions taken by any officers or Members of the Authority.

A copy of the report and action plan can be found on the Council's website at https://moderngov.rotherham.gov.uk/ieListDocuments.aspx?CId=415&MId=12915&Ver=4

There were no other matters to report following the review of arrangements.

6 DEPUTY LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Metropolitan Borough Council and the operation of the arrangements during the year.

We draw attention to the reference to the Independent Review of Child Sexual Exploitation referred to in Section 5.2. The Council has put in place an action plan to respond to the weaknesses raised in the report and will monitor the implementation of the action plan, to ensure the required improvements are achieved.

Signed ……………………………………………..

Councillor Paul Lakin, Deputy Leader, Rotherham Metropolitan Borough Council

Signed ……………………………………………..

Martin Kimber, Chief Executive, Rotherham Metropolitan Borough Council

Date 17 September 2014

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**17 September 2014**
3.	**Title:**	**Statement of Accounts 2013/14**
4.	**Directorate:**	**Resources**

5. Summary

To advise Members of the matters arising from the external audit of the Council's 2013/14 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 2013/14.

6. Recommendations

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

2. **That the Audit Committee approves the Statement of Accounts 2013/14 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 Director of Financial Services, as Responsible Financial Officer (Section 151 officer), and published on the Council's website on 30 June 2014. The key disclosures contained in the unaudited Statement of Accounts were presented to Audit Committee on 23 July 2014.

The unaudited Statement of Accounts has now been subject to audit. The Auditor's ISA 260 report (attached at Appendix 1 to this report) sets out in detail the outcomes from the audit.

Overall, the ISA260 report is an extremely positive one. As noted on page 3 of the report, the accounts were of a high quality. Only a few minor presentational changes were identified all of which have been agreed with the external auditor and 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 to these minor presentational changes, a contingent liability has been added in Note 46 to disclose the fact that there is a possible, as yet unquantifiable potential liability, relating to child sexual exploitation claims.

The Statement of Accounts, in its revised form, now requires approval by Members prior to publication before the end of September 2014.

The ISA 260 report also confirms that:

- **controls over key financial systems are sound** (see page 8 of the report).
- the audit process was fully supported through **good quality working papers and timely responses to audit queries** (see page 7 of the report)
- **there are no other matters which need to be reported to Audit Committee** (see page 9 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 at 31 March 2014 and its income and expenditure for the year then ended (see page 3 of the report).

These findings demonstrate that the Council has been able to sustain in 2013/14 the high standard of financial reporting that has been achieved in recent years since International Financial Reporting Standards (IFRS) were adopted.

This has been supported by the developments that have and are continuing to take place to facilitate financial reporting, namely the introduction of a new general ledger structure during the course of the year and improvements to year end closure procedures.

It also reflects the benefit of officers working proactively with External Audit from an early stage in the audit to discuss and seek agreement on significant / complex accounting issues and areas of audit focus (see pages 5 and 6 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 2013/14 presents a true and fair view of the Council's financial position at 31 March 2014 and its income and expenditure for the year then ended. 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 in the unaudited Statement of Accounts and presented to Committee 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 2013/14 (Appendix 1)
Audited Statement of Accounts 2013/14 (Appendix 2)
Letter of Management Representation (Appendix 3)
Audit Committee – 23 July 2014

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KPMG

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Report to those charged with governance (ISA 260) 2013/14

Rotherham Metropolitan Borough Council

08 September 2014

Contents

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Report sections	Page
■ Introduction	2
■ Headlines	3
■ Financial statements	4
■ VFM conclusion	10
Appendices	
1. Audit differences	12
2. Declaration of independence and objectivity	13

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at Rotherham Metropolitan Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- our work in relation to the 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

This report focuses on third and fourth stages of the process: substantive procedures and completion. Our on site work for the substantive procedures stage took place during July and August 2014.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements.
- Section 4 outlines our 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.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit has identified no audit adjustments which impact on the face of the financial statements. We identified a small number of minor presentational adjustments. These have all been amended by the Authority.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified budget pressures as a specific risk area for 2013/14 during the course of the audit. Our audit testing, to address this audit risk, did not identify any issues.
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 has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13* relating to the financial statements.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems. We are satisfied that we can place reliance on the work of internal audit and have been able to place reliance on their work where this was relevant to our work.
Completion	At the date of this report our audit of the financial statements is substantially complete, subject to: ■ Receipt of approved financial statements; and ■ Receipt of 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.
VFM conclusion and risk areas	We are considering the impact of the recently published Independent Inquiry into Child Sexual Exploitation in Rotherham. Therefore, at the date of this report, we have been unable to conclude on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Proposed opinion and audit differences

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

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

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

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 17 September 2014.

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 misstatements. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. The Authority has amended all of these as required.

We note that since producing the unaudited financial statements the Authority has added a contingent liability note to reflect the fact that it has received a number of claims in relation to child sexual exploitation.

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; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Key financial statements audit risks and areas of audit focus

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

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Audit Risk	Issue	Findings
Budget Pressures	As a result of the significant financial pressures, there is a risk that the financial statements could be manipulated to improve the financial position.	We have undertaken additional procedures, regarding expenditure cut off and capitalisation, as part of our audit work to address this risk and have found no issues to report.

Area of Audit Focus	Issue	Findings
Digital Region Limited	During this financial year the Authority (and other members of the joint venture agreement) took a decision to close its Joint Venture company, Digital Region Limited (DRL). Significant costs had already been provided for in earlier years, when these costs became accruable under the accounting standard governing provisions (IAS37), so the Authority is confident that there will not be further significant costs in 2013/14. We will review the Authority's estimate of the costs arising from the orderly and managed closure of DRL at the time the Authority's 2013/14 accounts are prepared, commenting on its material accuracy and completeness as needed.	We have reviewed the Authority's estimates of the costs arising from the managed closure of DRL. It is not anticipated that costs will increase compared to the provision accounted for in the 2012/13 financial statements. Therefore this year there has been no increase in the provision. We note this provision is £5.840m (£6.380m in 2012/13) and we note that £0.540m was utilised during the course of the financial year.
Transition to a new general ledger structure	The new general ledger structure was implemented in July 2013. This means that data was migrated mid-year. Additional work will be required during the audit to ensure the completeness and accuracy of the data which has been transferred over to the new ledger structure.	We have reviewed the process of migrating data over to the new general ledger structure. Our review identified appropriate controls in place to ensure the data was transferred accurately. No issues were identified as a result of our work.

Key financial statements audit risks and areas of audit focus (cont.)

Area of Audit Focus	Issue	Findings
Pension valuation	The IAS 19 adjustments and year-end net pensions liability are estimated based on various assumptions provided by the Authority's actuarial advisors. Given the value of the Authority's net pension liabilities at 31 March 2013 (£372 million) and the level of accounting judgement involved, this balance continues to represent significant accounting judgement. During the year, the Local Government Pension Scheme for South Yorkshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. In order to calculate the valuation, data is provided to the actuary. As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data. We will liaise with Mercers, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf. The Pension Fund may seek to recharge any additional costs arising from this work. It is therefore critical that the assumptions reflect the profile of the Authority's employees, and are based on the most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year.	We have agreed the data provided to the actuary back to the Authority's systems from which they were derived and found no issues. We have reviewed the assumptions provided by Mercers and these are in-line with our expectations.

Page 96

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

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

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

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 continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. This is in the context of having less resource, so represents good performance.
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2014. The Authority have made a small number of presentational changes as a result of our audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 4 February 2014 and discussed with officers set out our working paper requirements for the audit. The quality of working papers provided was good and met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*.

We recommended that the Authority ensure it had appropriate arrangements in place to ensure the closure of Digital Region Limited was appropriately managed to reduce the financial impact on the Authority. We have considered this as part of our work on VFM and identified no issues.

Page 97

Organisational control environment and controls over key financial systems

Your organisational control environment is effective overall.

The controls over all of the key financial systems are sound.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

We consider that your organisational controls are effective overall.

Controls over key financial systems

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Based on the work of your internal auditors and our own testing, the controls over all of the key financial systems are sound.

Aspect	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3

Key:
- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment.

Page 98

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 2014, 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 officers for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

We have asked for specific management representation regarding Digital Region Limited.

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, non disclosure, related party, public interest reporting, questions/objections, opening balances 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 2013/14 financial statements.

VFM conclusion

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

At the date of this report, we have been unable to conclude on whether 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.

Work completed

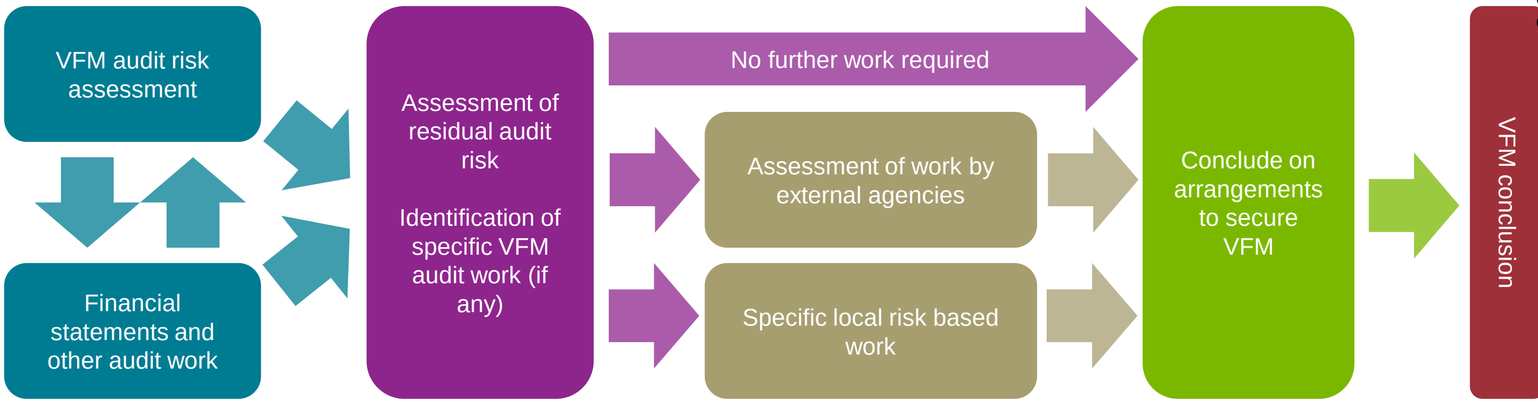
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following pages include further details of our VFM risk assessment and our specific risk-based work on the risk identified in our audit plan.

Conclusion

We are considering the impact of the recently published Independent Inquiry into Child Sexual Exploitation in Rotherham. At the date of this report, we have been unable to conclude on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Page 100



We had identified a number of specific VFM risks in our audit plan.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- completed specific local risk based work in relation to the Authority's involvement in respect of Digital Region Limited and around their saving plans for reductions in future funding.

Key findings

We have set out below the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion as reported in our audit plan.

Outstanding work

We need to consider the impact of the recently published Independent Inquiry into Child Sexual Exploitation in Rotherham before assessing the impact on our VFM conclusion.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
Digital Region Ltd	The Authority (and other members of the joint venture agreement) took a decision to close its Joint Venture company, Digital Region Limited (DRL). The Authority needs to ensure it has appropriate arrangements to ensure the closure of Digital Region Limited is managed to reduce the financial impact on the Authority. This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.	We have reviewed the work carried out by the Authority in relation to the closure of DRL. The decision to close was taken on a reasonable and evidence based approach and is being managed appropriately. As such, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in the closure of DRL.
Saving plans for reduction in funding	The Authority currently estimates that £23 million in savings will need to be achieved during 2014/15. The Authority has developed plans with each directorate in order to make these savings. This has been done by identifying the core priorities for the Authority and ensuring services are aligned with these priorities. Further significant savings will be required in 2015/16 and 2016/17 to principally address future reductions to local authority funding alongside service cost and demand pressures.	We have assessed the controls the Authority has in place to ensure sound financial standing. The Medium Term Financial Plan has taken into consideration the potential funding reductions and it is sufficiently robust to ensure that the Authority can continue to provide services effectively given the funding reductions. We note the Authority has recently reflected a contingent liability for potential claims in relation to child sexual exploitation. The Authority should continue to review the financial impact of these claims and assess the impact on the medium term financial plan to ensure it can secure a stable financial position that enables it to continue to operate for the foreseeable future.

Audit differences

This appendix sets out the significant audit differences.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

We have identified no audit differences which impacted on the face of the financial statements.

We identified a small number of presentational changes to the financial statements, which the Authority has made amendments to correct.

Un-corrected audit differences

We have identified no un-corrected audit differences which impacted on the face of the financial statements.

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 Engagement Lead 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.

Declaration of independence and objectivity (cont.)

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 2014, 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.

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METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2013/14

Contents	Page Number
Statement of Responsibilities for the Statement of Accounts	1
Foreword by the Director of Financial Services	2
Main Financial Statements and Notes to the Core Financial Statements	11
Comprehensive Income and Expenditure Statement	12
Movement in Reserves Statement	13
Balance Sheet	15
Cash Flow Statement	16
Notes to the Core Financial Statements	17
Housing Revenue Account (HRA) Income and Expenditure Account	89
Movement on the HRA Statement	90
Collection Fund	98
Metropolitan Debt Administration	101
Statement of Accounting Concepts and Policies	105
Accounting Standards not yet adopted	122
Critical Judgements in applying Accounting Policies	123
Assumptions made about future and other major sources of estimations	124
Additional Information	125
Certification	126
Glossary	129

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 17th September 2014.

Signed on behalf of Rotherham MBC

…..………………………………………………………

Audit Committee Chair

Date……..17th September 2014……………………….

The Director of Financial Services Responsibilities

The Directors of Financial Services 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 Director of Financial Services 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 Director of Financial Services has also:

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

Director of Financial Services 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 31st March 2014 and its income and expenditure for the year then ended.

Signed……………………………………………………………

Stuart Booth CPFA

Date……..17th September 2014……………...............

FOREWORD BY THE DIRECTOR OF FINANCIAL SERVICES

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2014 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 are 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. In 2013/14 there has been one change of significance which affects accounting for pension costs. The impact of this change is explained on Page 9.

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 105) – 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 2013/14 financial statements are detailed on Page 105.
- **Financial Statements and related disclosure notes** – which are explained further below

  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 audited 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 12) – 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 commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.
- **Movement in Reserves Statement (MIRS)** (Page 13) – 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 16) – 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 89) – 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 98) – 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 15) - 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 101) 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 of interest 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 £375.745m for 2013/14, the actual out-turn is £375.595m, an underspend of £0.150m. This includes a reduction of £0.884m 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 2013/14 was £0.150m less than the approved Budget. The principal reasons for this variation are set out below:

- A reduction of £0.884m in schools' delegated balances.

- A net overspend of £0.348m within Children & Young People's Services; principally relating to schools in deficit when converting to academies and Children's Social care.

- A net underspend of £0.746m within Environment and Development Services; principally relating to the generation of additional income.

- A net underspend of £0.682m across Neighbourhoods and Adult Services. Of this, £0.271m is attributable to Adult Services principally from additional Winter Pressures income from the Health Service and £0.411m to Neighbourhood services (across all services).

- A net underspend of £0.029m within Resources principally due to additional income generation.

- Central and Other Services delivered a small overspend of £0.075m.

By achieving the overall positive outturn, the Council is in a position to more than offset the small Directorate pressures within Children's Services and Central Services detailed above.

Excluding the position on schools, there is a net underspend of £1.034m (0.47%) on the Council's Net Revenue Budget. Approval has been given to carry forward £0.747 of the net underspend in respect of Traded Services surpluses and £0.251m funding for specific projects or one off items, leaving a balance of £.036m uncommitted, which is available to support the 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 2014/15 Revenue Budget.

As at 31 March 2014 the Council has a balance on the General Fund of £11.221m. Allowing for the commitments of £0.999m leaves a balance of £10.222m available to support future years' budgets. This is equivalent to 4.9% of the Council's 2014/15 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 £25.467m in earmarked General Fund reserves set aside for specific purposes (excluding £0.151m Schools' Declared Savings and £7.818m Revenue Grants Reserve) – see Note 2 for further detail.

In addition to the General Fund balance of £11.221m before known commitments, the Council holds £6.456m relating to School Delegated Budget arrangements as follows:

2012/13 £m		2013/14 £m
0.252	Schools' Declared Savings (see Note 2 Earmarked Reserves)	0.151
7.975	Unspent Schools' Budgets (see Note 37 Usable Reserves)	6.305
8.227	Total	6.456

2.2 Housing Revenue Account Income and Expenditure Account

For 2013/14, the Income and Expenditure Account shows a surplus on the provision of HRA services of £0.460m. This has been adjusted by a credit of £2.455m and transfer to HRA Earmarked Reserve of £1.346m to produce the overall increase in the HRA balance of £1.569m.

The £2.455m credit comprises adjustments for items which are charged to the HRA under normal accounting practice but which are disregarded in determining the amount to be met by rent payers. They include the following: Gain on sale of Non-Current Assets, capital expenditure funded directly from revenue and capital grants and contributions.

Previously, under the subsidy regime, depreciation and impairment was similarly disregarded. Following the move to self – financing in 2012/13, these have now become real charges to be met by rent payers. However, the Council has taken advantage of transitional protection arrangements which allow impairment of council dwellings to be disregarded and depreciation to be realigned to notional Major Repairs Allowance. These items are the principal reason for the credit of £2.455m.

In 2013/14 a budget was set which required a transfer from HRA reserves of £2.599m to contribute towards capital expenditure commitments in year. At final outturn the transfer from reserves was not required and an overall surplus of £1.569m was achieved for 2013/14. The balance on the HRA at the end of 2013/14 was £16.7m. The principal reasons contributing to the HRA surplus were:

Increases to surplus:
- Repairs and Maintenance costs were less than anticipated – (£0.866m)
- Supervision and Management costs were less than anticipated – (£1.276m)
- Interest payable costs were lower than budget – (£0.290m)
- An increase in rental income – (£0.367m)
- An increase in income for charges for services and facilities – (£0.847m)
- An increase in other income – (£0.128m)
- Revaluation losses from prior years reversed – (£0.482m)

Decreases to surplus:

- Increased costs for bad debt provision – (£0.097m)
- Budget transfer from reserves not utilised – (£2.599m)

Under selffinancing, all the risks of managing housing rest with the Council. This means that the Council needs to maintain a higher level of HRA reserves in order to fund all expenditure relating to the management and maintenance of housing stock and mitigate any potential risks the Council now faces. These risks include the costs of impairment/revaluation of non-dwellings which is a real charge to the HRA and Welfare reform which brings additional risk of lower income collection and increased cost of collection.

3 Capital Spend and Borrowing in 2013/14

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 2013/14 amounted to £71.769m.

(a) Analysis of capital expenditure by Directorate is as follows:

	2013/14 £m
Children & Young People Services	20.961
Neighbourhoods & Adult Services:	
- Housing Revenue Account	26.592
- Housing General Fund	2.991
- Adult Social Services	0.722
Environment & Development Services	18.446
Resources	2.057
Total	71.769

(b) Financing of this expenditure is analysed below:

	2013/14 £m
Borrowing need	7.309
Major Repairs Allowance (MRA)	16.942
Grants & Other Contributions	35.426
Capital Receipts	2.332
Internal Funds (e.g. Reserves, etc.)	9.760
Total	71.769

(c) Major items of capital expenditure incurred are as follows:

	2013/14 £m
Non Housing:	
- Carriageway Resurfacing	1.489
- A57 Road	6.657
- Carriageway - New Construction / Improvements	1.788
- Carriageway - Principal Roads	1.375
- Oldgate Lane Junction Improvements	1.149
- Street Lighting	1.750
- Lilly Hall Maltby New School	1.992
- Maltby Academy	6.589
- Flanderwell Primary School Extension	1.457
- Herringthorpe Infants & Junior School Expansion	1.899
Housing Investment Programme:	
- Physically Handicapped Conversions / Improvements (Public)	1.791
- Replacement of Central Heating Systems	3.233
- Voids Programme	2.709
- Refurbishment of Council Stock	11.274
- Housing Environmental Works	1.078
- Investment in Non-traditional Properties	1.760
- Physically Handicapped Adaptations (Private)	2.121

(d) The Council's borrowing activities based upon principal amounts during 2013/14 are summarised as follows:

2012/13 £m		2013/14 £m
464.402	Balance as at 1 April	476.163
	Plus:	
24.100	New long-term borrowing	0.000
(0.065)	Long-term borrowing repaid	0.000
(12.274)	Re-classified as temporary borrowing (repayable in the following financial year)	(27.280)
476.163	Balance as at 31 March	448.883

The Council's operational boundary for external debt for the year was £617.775m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £774.908m.

Temporary Borrowing

2012/13 £m		2013/14 £m
30.238	Balance as at 1 April	12.273
	Plus:	
198.985	New temporary borrowing	0.719
12.274	Re-classified from long-term borrowing	27.280
241.497		40.272
(222.086)	Repayments in the year	(0.719)
(7.138)	Repayment of prior year's reclassified long-term borrowing	(12.274)
(229.224)		(12.993)
12.273	Balance as at 31 March	27.279

Further detail of the Council's long-term liabilities and short-term borrowing is provided in Note 24.

4 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 30 March 2012. The contract will provide residual waste facilities for the 3 boroughs, and is due to become operational in July 2015. Construction commenced on the site at Bolton Road, Rotherham in January 2013. 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.

The BDR Joint Waste Board was constituted on 30 March 2012 to oversee the governance of this Contract. As a Joint Committee under Section 101 of the 1972 Local Government Act, there is a requirement to produce annual financial statements, which are subject to a limited assurance audit by an auditor appointed by the Audit Commission. For this purpose, BDO LLP have been appointed as auditors for a period of five years from 2012/13.

5 Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through its participation in three separate pension schemes relating to Teachers, other employees and staff performing Public Health Functions who transferred to the Council on 1 April 2013. Teachers employed by the Council are members of the Teachers' Pension Scheme, administered nationally by the Teachers' Pension Agency (TPA), eligible members of the Local Government Superannuation Scheme (LGSS) employed by the Council are members of the South Yorkshire Pension Fund administered by the South Yorkshire Pensions Authority, whilst transferring Public Health Staff have retained access to the National Health Service Pensions Scheme (NHSPS).

A full actuarial valuation of the South Yorkshire Pension Fund was conducted during 2013/14 in accordance with Regulation 36 of the Local Government Pensions Scheme (Administration) Regulations 2008. The purpose of the actuarial valuation was to enable South Yorkshire Pensions Authority to determine:

- the expected costs of providing benefits built up by members at the valuation date (the liabilities) and compare this against the assets held by the Fund
- an appropriate plan for making up the shortfall if there are less assets than liabilities
- the contributions needed to cover the cost of benefits that active members will build up in the future and other costs incurred in running the fund.

The valuation identified an overall funding shortfall for the entire South Yorkshire Pensions Fund as at 31 March 2013 of £1,709m. Since the valuation date, however, the financial situation of the Pension Fund has improved, which has had the effect of reducing the funding deficit by £379m to £1,330m. The Council's share of the overall deficit was £186m. Under LGSS Regulations the lever of contributions must be sufficient to maintain the solvency of the Fund. The long term objective is to recover the funding deficit over the next 22 years. In accordance with this strategy, in the three years from 2014/15 the Council will make additional contributions towards recovering the deficit in addition to contributions needed to cover the cost of benefits that will build up in the future.

From April 2014 the Local Government Pensions Scheme has been replaced by a new Pension Scheme. The new Local Government Pensions Scheme (LGPS 2014) is still a defined benefit scheme, but is based on career average rather than final salary and covers all earnings including overtime. However not all elements in the scheme are changing and many of the core benefits remain the same.

The effect of the 2013 actuarial valuation and new LGPS is that there has been an increase in both employer and employee contributions with effect from 2014/15. Employer contribution rates have increased from 17.9% in 2013/14 to 19.5% in 2014/15. Further detail is provided in Note 18. The level of contributions will be reviewed again following the next full actuarial valuation as at 31 March 2016.

The Statement of Accounts show the Council's share of the South Yorkshire Pensions fund's estimated deficit one year on from the full actuarial valuation as at 31 March 2014. The estimate has been determined by the actuary in accordance with IAS19 and is disclosed in Note 18. Up to and including 2012/13, the Code required FRS17 to be used. The effect of the changeover from FRS17 to IAS 19 is explained further in Section 7 of the explanatory foreword.

6 Major Changes and Statutory Functions

(a) Business rates

Until 2012/13, the Council acted as agent for central government in collecting business rates income on behalf of central government and paying it over.

The introduction of the business rates retention scheme with effect from 1 April 2013, means that the Council shares the rewards of any growth in business rates income with central government and the fire authority but also shares the risk should it fall. The Council's proportionate share is 49%, central government's 50% and the Sheffield Fire and Civil Defence authority's 1%.

The Collection Fund (see page 98) has been modified to show the amount of business rates income collectible in the year compared to that estimated at the start of the year, the surplus or deficit for the year, and how much is attributable to the Council, central government and the fire authority. It includes an estimate of the potential amount of business rate income due from business ratepayers up to and including 2013/14 that might have to be refunded as a result of appeal.

(b) Council tax support

The introduction of the localisation of council tax support with effect from 1 April 2013 has led to significant changes to the way in which council tax support is funded.

Previously, support was given in the form of council tax benefit which attracted housing benefit grant (£22.926m of grant was credited to the Collection Fund in 2012/13 covering the Council, Police and Fire and Civil Defence).

With effect from 1 April 2013, support is given in the form of a discount. This is not eligible for housing benefit grant and leads to a reduction in the council tax base. To compensate the Council for the loss of income this creates, the Council has received funding for council tax support of £17.5m in 2013/14 through RSG (£10.5m) and business rates baseline funding and top up tariff (£7m)

(c) Public Health

With effect from 1 April 2013, the Council took over responsibility for the delivery of public health services from the NHS. The Council received a ring-fenced public health grant of £13.79m in 2013/14 to meet the cost of delivering these services.

Income and expenditure relating to public health is presented in the Comprehensive Income and Expenditure statement under the heading of "services transferred from the NHS".

No significant assets or liabilities were transferred.

(d) Schools converting to academy

During the course of 2013/14, 17 schools with an aggregate annual schools budget of £33.7m converted to academies. The income and expenditure of these schools whilst still under local authority control prior to conversion are included within the Comprehensive Income and Expenditure statement under Education and Children Services.

School balances of £0.8m have been transferred out of the Council's balance sheet in 2013/14 as a result of schools converting to academies.

School buildings with a value of £42.5m have also been transferred out of the Council's balance sheet as a result of conversion. These buildings are being made available to the academies under long leases of typically 125 years.

A further 21 schools have applied to convert to academies in 2014/15 with a further 18 having expressed an interest.

(e) Combined Authority

Sheffield City Region Combined Authority was established on 1 April 2014. It is composed of 9 local authorities (all 4 South Yorkshire Authorities and 5 from the North East Midlands).

The Combined Authority has inherited the Transport Functions of South Yorkshire Integrated Transport Authority and has responsibility for the SCR's economic development and regeneration activities. To this end, the Combined Authority is working closely with the private sector lead Local Enterprise Partnership (LEP) in seeking to attract inward investment into the Sheffield City Region.

7 Significant Changes to Accounting Policies

None of the new accounting standards adopted by the Code in 2013/14 or clarifications of existing standards has had any impact on the Council's financial position.

However, there is one change of significance which affects the presentation of pension costs in respect of defined benefit schemes, principally, the Local Government Pension Scheme. This is as result of the Code's adoption of IAS 19 in 2013/14 in place of FRS 17.

The change affects the relative amounts included in the Comprehensive Income & Expenditure Statement in respect of pension costs.

In 2012/13, the effect of restating on an IAS19 basis would have been to increase pension costs charged to the Deficit on Provision of Services by £5.2m and to reduce the re-measurement loss included within Other Comprehensive Income and Expenditure by the same amount. As the difference is not material, comparatives have not been restated in this year's accounts.

In 2013/14, the estimated effect is that pension costs charged to the Deficit on Provision of Services are £12.5m higher than what they would have been under FRS 17 and the re-measurement gain included within Other Comprehensive Income and Expenditure is also higher by the same amount.

New standards that have come into effect on or before 1 January 2014 which are to be adopted in the 2014/15 version of the Code and will therefore apply to the 2014/15 financial year, together with an estimate of the financial effect of their adoption, if known, are disclosed in Note B on Page 122.

8 Outlook

The Government's austerity programme has involved unprecedented reductions in local government funding. Since 2011/12, initially as a result of the Autumn 2010 Spending Review and latterly following the 2013 Spending Review, the Council has had to find over £93m of savings. Moving forward, the implications of the 2013 Review are that the Council's funding is expected to continue to reduce at a rate similar to that experienced in the past 4 years and this trend may possibly continue until 2020.

In addition to the ongoing reduction in funding levels, from April 2013 there has been an unprecedented transfer of financial risk from central government to local authorities through substantial reforms of the local government finance and Welfare (benefits) systems, including; the localisation of business rates, the continuing merging of specific grant funding into Formula Grant – often at much reduced rates –and the abolition of Council Tax Benefit (which is now replaced with a local Council Tax Reduction Scheme). This has been compounded by the continued government restrictions on Council Tax levels, if a referendum is to be avoided.

The most recent funding reductions has required the Council to address budget gaps, £23m in 2014/15 and an estimated gap of £23m in 2015/16. The Council has had a successful track record in delivering planned savings, it is recognised however, that to be sustainable going forward, budgets will need to be delivered by means of both spending reductions and a programme of transformational change. To this end the Council is working to redefine and refocus its Corporate Plan Priorities and Budget Principles and to develop a new and different relationship with its citizens, residents and other stakeholders.

The new Corporate Priorities have been developed to guarantee the focus is on essential services ensuring the Council:

- Stimulates the local economy and helps people into work;
- Protects the most vulnerable;
- Ensures all areas of Rotherham are safe, clean and well maintained; and
- Helps to improve health and wellbeing and reduce inequalities within the Borough.

From these Corporate Priorities the Council has developed its Budget Principles, by continuing with its calm and measured approach and planning ahead the Council will protect services for those most in need and ensure the Council:

- Focus on delivering business and jobs growth is maintained,
- Helps people to help themselves wherever possible,
- Provides early support to prevent needs becoming more serious; and
- Continues to maintain strong financial management and governance, and to control spending tightly.

This will be enabled by shifting scare resources to areas of greatest need, limiting spending to clearly essential items, focusing on the things most important to all local people, stopping doing things that are not important to all local people and maximising spending power within the borough across the supply chain. The Council also will continue to reduce management, administration and back office costs are far as is possible and continue to concentrate on service transformation equipping services to deliver to high standards.

The 2014/15 Budget was prepared in line with these principles and is being used as the baseline for updating the Council's Medium Term Financial Strategy (MTFS) which will cover the period 2014/17. The MTFS is being refreshed to take account of reducing levels of government funding and the predicted future demand for and cost of services.

Stuart Booth
Director of Financial Services

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 commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework 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.

On 1 April 2013 Public Health staff and services were transferred from the NHS to the Council. To discharge their new public health responsibilities, the Council was provided with a ring-fenced Public Health Grant. Income and expenditure relating to Public Health are shown as a transferred in service in the statement below.

All of the Council's income and expenditure relates to continuing operations.

None of the items included within other comprehensive income and expenditure are reclassifiable within the surplus or deficit on provision of services.

Gross Expenditure £000	Gross Income £000	2012/13 Net Cost £000		Gross Expenditure £000	Gross Income £000	2013/14 Net Cost £000	Notes
			Continuing Operations				
102,656	(29,434)	73,222	Adult Social Care	110,236	(31,291)	78,945	
3,814	(1,194)	2,620	Central Services to the Public	4,466	(2,740)	1,726	
303,378	(235,827)	67,551	Education and Children Services	274,440	(208,881)	65,559	
18,454	(5,432)	13,022	Cultural and Related Services	19,230	(3,290)	15,940	
22,980	(5,085)	17,895	Environment and Regulatory Services	21,721	(5,129)	16,592	
12,143	(3,180)	8,963	Planning Services	6,141	(2,791)	3,350	
31,285	(1,495)	29,790	Highways and Transport Services	32,821	(3,112)	29,709	
64,346	(75,078)	(10,732)	Local Authority Housing (HRA)	65,987	(80,245)	(14,258)	
119,955	(115,519)	4,436	Other Housing Services	100,123	(93,055)	7,068	
5,572	(1,478)	4,094	Corporate and Democratic Core	4,769	(192)	4,577	
14,596	0	14,596	Non Distributed Costs	(6,961)	0	(6,961)	
699,179	(473,722)	225,457	Total Continuing Operations excluding operations transferred in	632,973	(430,726)	202,247	
			Service Transferred in				
0	0	0	Public Health	13,454	(14,008)	(554)	
699,179	(473,722)	225,457	(Surplus) or Deficit on Continuing Operations	646,427	(444,734)	201,693	
4,776	0	4,776	Other Operating Expenditure	47,476	(44)	47,432	4
46,370	(4,416)	41,954	Financing and Investment Income and Expenditure	61,455	(14,050)	47,405	5
0	(255,232)	(255,232)	Taxation & Non-Specific Grant Income	0	(266,353)	(266,353)	7
750,325	(733,370)	16,955	Deficit on Provision of Services	755,358	(725,181)	30,177	
		(12,888)	(Surplus) or Deficit on Revaluation of Non Current Assets			(12,518)	38b
		(973)	Write down of Met Debt			(1,070)	38a
		73,388	Remeasurements (liabilities and assets)			(116,095)	18
		59,527	Other Comprehensive Income & Expenditure			(129,683)	
		76,482	Total Comprehensive Income & Expenditure			(99,506)	

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 38). The 'surplus or (deficit) on the provision of services' line shows the economic cost of providing the Council's services on a commercial accounting basis. 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.

2012/13	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
Balance as at 1 Apr 12 as restated	16,953	29,993	8,327	716	5,428	2,657	20,080	84,154	158,797	242,951	37/38
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(12,589)	0	(4,366)	0	0	0	0	(16,955)	0	(16,955)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(59,527)	(59,527)	
Total Comprehensive Income and Expenditure	(12,589)	0	(4,366)	0	0	0	0	(16,955)	(59,527)	(76,482)	
Adjustments between accounting basis & funding basis under regulations	14,019	0	12,291	0	9,460	220	1,804	37,794	(37,794)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	1,430	0	7,925	0	9,460	220	1,804	20,839	(97,321)	(76,482)	
Add: Transfers (to)/from Earmarked Reserves	(228)	228	(1,124)	1,124	0	0	0	0	0	0	2
Increase / (Decrease) in Year	1,202	228	6,801	1,124	9,460	220	1,804	20,839	(97,321)	(76,482)	
Increase / (Decrease) in Year consists of:											
Other transfers	*(303)*										
Outturn	*1,505*										
At 31 Mar 13	18,155	30,221	15,128	1,840	14,888	2,877	21,884	104,993	61,476	166,469	

2013/14	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
Balance as at 1 Apr 13	18,155	30,221	15,128	1,840	14,888	2,877	21,884	104,993	61,476	166,469	37/38
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(30,637)	0	460	0	0	0	0	(30,177)	0	(30,177)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	129,683	129,683	
Total Comprehensive Income and Expenditure	(30,637)	0	460	0	0	0	0	(30,177)	129,683	99,506	
Adjustments between accounting basis & funding basis under regulations	34,009	0	2,455	0	3,428	2,347	(1,749)	40,490	(40,490)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	3,372	0	2,915	0	3,428	2,347	(1,749)	10,313	89,193	99,506	
Add: Transfers (to)/from Earmarked Reserves	(3,215)	3,215	(1,346)	1,346	0	0	0	0	0	0	2
Increase / (Decrease) in Year	157	3,215	1,569	1,346	3,428	2,347	(1,749)	10,313	89,193	99,506	
Increase / (Decrease) in Year consists of:											
Other transfers	*6*										
Outturn	*151*										
	18,312										
Schools Balances transferred out on conversion to academy	(786)							(786)		(786)	
At 31 Mar 14	17,526	33,436	16,697	3,186	18,316	5,224	20,135	114,520	150,669	265,189	

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".

2012/13 £000		2013/14 £000	Notes
1,157,787	Property, Plant and Equipment	1,134,006	19
6,952	Heritage Assets	6,952	23
31,097	Investment Property	29,356	20
640	Intangible Assets	1,509	21
971	Long Term Investments	192	30
10,426	Long Term Debtors	10,370	33
1,207,873	Long Term Assets	1,182,385	
14,405	Short Term Investments	19,749	24
288	Assets Held For Sale	689	22
518	Inventories (Stock)	794	31
34,717	Short Term Debtors	36,119	33
21,920	Cash and Cash Equivalents	26,344	34
71,848	Current Assets	83,695	
(25,418)	Bank Overdraft	(38,497)	34
(17,036)	Short Term Borrowing	(32,030)	24
(66,285)	Short Term Creditors	(59,861)	35
(8,646)	Short Term Provisions	(11,649)	36
(117,385)	Current Liabilities	(142,037)	
(5,617)	Long Term Provisions	(5,387)	36
(725)	Long Term Creditors	(3,051)	35
(476,163)	Long Term Borrowing	(448,883)	24
(511,042)	Other Long Term Liabilities	(399,968)	50
(2,321)	Capital Grants Receipts in Advance	(1,566)	8
(995,868)	Long Term Liabilities	(858,855)	
166,468	Net Assets	265,188	
(104,994)	Usable Reserves	(114,520)	37
(61,474)	Unusable Reserves	(150,668)	38
(166,468)	Total Reserves	(265,188)	

Cash Flow Statement

	2012/13 as restated £000	2013/14 £000	Notes
Deficit on the provision of services	16,955	30,177	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(105,852)	(109,565)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	42,348	41,101	39
Net cash inflows from Operating Activities	(46,549)	(38,287)	39
Investing Activities	14,475	32,580	40
Financing Activities	33,558	14,362	41
Net decrease in cash and cash equivalents	1,484	8,655	
Cash and cash equivalents at the beginning of the reporting period	(2,014)	(3,498)	34
Cash and cash equivalents at the end of the reporting period	(3,498)	(12,153)	34

	31 Mar 13 £000	31 Mar 14 £000
Cash and Bank balances	21,920	26,344
Bank Overdraft	(25,418)	(38,497)
Total Cash and Cash Equivalents	(3,498)	(12,153)

Changes have been made to the presentation of the cash flow statement to bring it fully into line with the requirements of the Code. 2012/13 comparatives have been realigned where appropriate so that they are on a like for like basis with 2013/14.

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 Pensions
19 Property, Plant and Equipment, Capital Commitments, PFI,
20 Investment Property
21 Intangible Assets
22 Assets Held for Sale
23 Heritage Assets
24 Financial Instruments – Balances
25 Financial Instruments – Risk
26 Financial Instruments – Gains/losses
27 Financial Instruments – Fair Value of Assets carried at Amortised Cost
28 Financial Instruments – Soft Loans and Financial Guarantees
29 Impairment adjustment – Landsbanki and Heritable Bank
30 Long-term investments
31 Inventories
32 Construction Contracts
33 Debtors
34 Cash & Cash Equivalents
35 Creditors
36 Provisions
37 Usable Reserves
38 Unusable Reserves
39 Cash Flow - Analysis of adjustments to Surplus or Deficit on the Provisions of Services
40 Cash Flow – from Investing Activities
41 Cash Flow – from Financing Activities
42 Capital Expenditure and Financing
43 Leases
44 PFI and similar contracts
45 Capitalised Borrowing Costs
46 Contingent Liabilities
47 Contingent Assets
48 Trust Funds
49 Material Items of Income and Expenditure
50 Other Long-term Liabilities
51 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 commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

2012/13	Movements in Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	28,190	18,416	0	0	0	(46,606)
Amortisation of intangible assets	135	0	0	0	0	(135)
Revaluation losses on Property, Plant and Equipment	20,204	1,287	0	0	0	(21,491)
Capital grants and contributions applied	(30,459)	(119)	0	0	1,804	28,774
Revenue expenditure funded from capital under statute	(523)	0	0	0	0	523
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	384	(612)	11,610	0	0	(11,382)
Statutory provision for the financing of capital investment	(11,819)	0	0	0	0	11,819
Capital expenditure charged against the General Fund and HRA balances	(698)	(958)	0	0	0	1,656
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(940)	0	0	940
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,225	0	(1,225)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	15	0	0	(15)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(6,114)	0	6,114	0	0
HRA depreciation to capital adjustment account	0	0	0	12,701	0	(12,701)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(18,595)	0	18,595
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	(51)	6	0	0	0	45

Continued	Movements in Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
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 18)	32,106	1,482	0	0	0	(33,588)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,129)	(1,113)	0	0	0	25,242
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	(285)	0	0	0	0	285
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	(261)	16	0	0	0	245
Total Adjustments	14,019	12,291	9,460	220	1,804	(37,794)

2013/14	Movements in Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	30,941	24,474	0	0	0	(55,415)
Amortisation of intangible assets	239	0	0	0	0	(239)
Revaluation losses on Property, Plant and Equipment	(6,909)	(6,493)	0	0	0	13,402
Capital grants and contributions applied	(33,203)	(474)	0	0	(1,749)	35,426
Revenue expenditure funded from capital under statute	3,764	0	0	0	0	(3,764)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	42,523	(1,015)	7,425	0	0	(48,933)
Statutory provision for the financing of capital investment	(12,533)	0	0	0	0	12,533
Capital expenditure charged against the General Fund and HRA balances	(1,323)	(8,437)	0	0	0	9,760
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,332)	0	0	2,332
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,669	0	(1,669)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	4	0	0	(4)
Adjustment primarily involving the Major Repairs Reserve:						
Transfer from HRA to Major Repairs Reserve re notional MRA	0	(5,894)	0	5,894	0	0
HRA depreciation to capital adjustment account	0	0	0	13,395	0	(13,395)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(16,942)	0	16,942
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	(46)	6	0	0	0	40

Continued	Movements in Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
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 18)	30,962	1,221	0	0	0	(32,183)
Employer's pension contributions and direct payments to pensioners payable in the year	(23,407)	(922)	0	0	0	24,329
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income, non-domestic rate income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with Regulation	3,002	0	0	0	0	(3,002)
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	(1,670)	(11)	0	0	0	1,681
Total Adjustments	34,009	2,455	3,428	2,347	(1,749)	(40,490)

Note 2 Transfers to and from Earmarked Reserves

	Balance at 1 Apr 12 £000	Movements between GF Earmarked Reserves £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Bal at 31 Mar 13 £000	Movements between GF Earmarked Reserves £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balalance at 31 Mar 14 £000
General Fund									
Insurance	697	0	(342)	0	355	0	(104)	0	251
Commutation Adjustment	8,394	0	0	0	8,394	0	0	0	8,394
Revenue Grants Reserve	6,053	90	(3,348)	3,903	6,698	0	(2,794)	3,914	7,818
Aston CSC Repair / Maintenance Fund	40	0	0	20	60	0	0	20	80
Riverside House Repairs / Maintenance Fund	26	0	0	51	77	0	0	52	129
EMS Implementation Fund	139	0	(31)	38	146	0	(35)	38	149
EIC Partnership Reserve	0	0	0	0	0	0	0	572	572
Kimberworth The Place Repairs / Maintenance Fund	0	0	0	10	10	0	0	10	20
Energy Conservation (LAEF)	348	0	(51)	31	328	0	(240)	31	119
Museum	33	0	0	0	33	0	0	1	34
RERF	100	0	(40)	0	60	0	(60)	53	53
Maintenance of Buildings	34	0	0	78	112	0	(139)	372	345
Managed Workspace Repairs & Renewals	75	0	(8)	29	96	0	0	54	150
PFI – Leisure	208	0	0	789	997	0	(255)	472	1,214
PFI - Schools	13,541	0	(1,748)	800	12,593	0	0	1,354	13,947
Housing Improvement Programme	10	0	0	0	10	0	0	0	10
Schools Declared Savings	295	0	(43)	0	252	0	(101)	0	151
Total	29,993	90	(5,611)	5,749	30,221	0	(3,728)	6,943	33,436
Housing Revenue Account									
Furnished Homes	716	0	0	1,124	1,840	0	0	1,346	3,186
Total	716	0	0	1,124	1,840	0	0	1,346	3,186
Total General Fund & HRA	30,709	90	(5,611)	6,873	32,061	0	(3,728)	8,289	36,622

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 2013/14. A brief description of the purpose of each General Fund reserve is provided as follows. A brief description of the HRA earmarked reserve is provided in Note 2 to the HRA on page 92.

(i) Insurance

This reserve is in part insurance claims being used to conserve Museum and Art Collections.

It also includes amounts earmarked to meet future potential and contingent liabilities falling on the insurance fund not covered by the provision shown in Note 36. The amount set aside in 2013/14 is nil (2012/13 nil).

(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 the grant's terms and conditions have been met but yet to be applied. They will be used to meet future spending plans relevant to the grant.

(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 Repairs and Renewals

Set up to defray the cost of a rolling programme of maintenance on the managed workspace buildings and a programme of equipment renewal. The nature of the initial grant 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 was in excess of expenditure, but that expenditure has risen significantly after all the schools have been completed.

(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 the Works in Default 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. This reserve has not been utilised in 2013/14.

(xiii) Aston CSC Maintenance Fund

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

(xiv) Kimberworth The Place Repairs & 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) Environmental Management System (EMS) Implementation Fund

This reserve has been created to provide funding for a temporary post of Carbon Reduction Officer to work towards reducing CO_2 emissions.

(xvii) EIC Partnership Reserve

This reserve has been created principally to provide funding to maximise the impact on teaching and learning through use of digital resources to promote creativity and innovation.

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 pension 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

	CYPS £000	Schools £000	EDS £000	Neighbourhood £000	Adults £000	Resources £000	Central £000	HRA £000	Public Health £000	Total £000
2012/13										
Fees, charges & other service income	(46,820)	(8,088)	(37,634)	(4,487)	(35,162)	(33,419)	(41,775)	(74,976)	0	(282,361)
Government Grants	(32,742)	(176,742)	(731)	(626)	(6,709)	(112,940)	(31,791)	(157)	0	(362,438)
Total Income	(79,562)	(184,830)	(38,365)	(5,113)	(41,871)	(146,359)	(73,566)	(75,133)	0	(644,799)
Employee Expenses	42,715	143,651	22,530	3,696	31,872	30,283	8,147	7,430	0	290,324
Other Operating expenses	72,283	34,992	50,653	3,498	81,496	113,936	109,637	59,849	0	526,344
Central Dept. & Tech. Support	164	5,571	1,245	39	1	23,782	1,260	1,053	0	33,115
Total Operating Expenses	115,162	184,214	74,428	7,233	113,369	168,001	119,044	68,332	0	849,783
Revenue outturn	35,600	(616)	36,063	2,120	71,498	21,642	45,478	(6,801)	0	204,984
2013/14										
Fees, charges & other service income	(14,533)	(8,211)	(59,697)	(4,995)	(37,662)	(7,464)	(23,479)	(82,545)	(218)	(238,804)
Government Grants	(17,078)	(172,255)	(2,732)	(141)	(59)	(94,352)	(14,710)	(8)	(13,790)	(315,125)
Total Income	(31,611)	(180,466)	(62,429)	(5,136)	(37,721)	(101,816)	(38,189)	(82,553)	(14,008)	(553,929)
Employee Expenses	41,212	139,068	39,623	7,581	29,838	14,460	1,285	7,680	1,484	282,231
Other Operating expenses	37,340	37,803	57,806	3,516	81,405	98,414	71,145	70,791	12,143	470,363
Central Dept. & Tech. Support	180	4,479	15,100	87	0	9	(1,659)	2,512	381	21,089
Total Operating Expenses	78,732	181,350	112,529	11,184	111,243	112,883	70,771	80,983	14,008	773,683
Revenue outturn	47,121	884	50,100	6,048	73,522	11,067	32,582	(1,570)	0	219,754

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

	2012/13 £000	2013/14 £000
Net expenditure in the Directorate Analysis	204,984	219,754
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate analysis	(1,383)	23,688
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	21,856	(41,749)
Cost of Services in Comprehensive Income and Expenditure Statement	225,457	201,693

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

2012/13	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	(281,766)	0	78,904	52,296	(150,566)	0	(150,566)
Surplus on Trading Activities	0	0	0	0	0	(2,533)	(2,533)
Interest & Investment Income	(595)	0	595	0	0	(1,883)	(1,883)
Income from Council Tax	0	0	0	0	0	(98,196)	(98,196)
Government Grants & Contributions	(362,438)	(120)	39,402	0	(323,156)	(157,036)	(480,192)
Total Income	(644,799)	(120)	118,901	52,296	(473,722)	(259,648)	(733,370)
Employee expenses	290,324	(1,383)	(25,837)	0	263,104	9,484	272,588
Other service expenses	523,141	120	(103,122)	(52,296)	367,843	1,864	369,707
Depreciation, amortisation and impairments	0	0	68,232	0	68,232	0	68,232
Interest payments	34,537	0	(34,537)	0	0	34,537	34,537
Precepts and levies	2,008	0	(2,008)	0	0	4,264	4,264
Payments to Housing Capital receipts pool	0	0	0	0	0	1,224	1,224
Gain or loss on disposal of Non Current Assets	(227)	0	227	0	0	(227)	(227)
Total Expenditure	849,783	(1,263)	(97,045)	(52,296)	699,179	51,146	750,325
(Surplus) or Deficit on the provision of services	204,984	(1,383)	21,856	0	225,457	(208,502)	16,955

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

2013/14	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	(238,208)	12,509	32,877	48,640	(144,182)	(76,340)	(220,522)
Surplus on Trading Activities	0	0	0	0	0	(493)	(493)
Interest & Investment Income	(596)	0	596	0	0	(596)	(596)
Income from Council Tax	0	0	0	0	0	(82,607)	(82,607)
Government Grants & Contributions	(315,125)	(2,490)	17,063	0	(300,552)	(120,411)	(420,963)
Total Income	(553,929)	10,019	50,536	48,640	(444,734)	(280,447)	(725,181)
Employee expenses	282,231	(14,867)	(44,956)	0	222,408	21,869	244,277
Other service expenses	454,435	11,937	(24,774)	(48,640)	392,958	1,750	394,708
Depreciation, amortisation and impairments	12,093	16,599	2,369	0	31,061	3,590	34,651
Interest payments	22,734	0	(22,734)	0	0	34,290	34,290
Precepts and levies	2,190	0	(2,190)	0	0	4,329	4,329
Payments to Housing Capital receipts pool	0	0	0	0	0	1,669	1,669
Gain or loss on disposal of Non Current Assets	0	0	0	0	0	41,409	41,409
Revaluation Loss Assets Held for Sale	0	0	0	0		25	25
Total Expenditure	773,683	13,669	(92,285)	(48,640)	646,427	108,931	755,358
(Surplus) or Deficit on the provision of services	219,754	23,688	(41,749)	0	201,693	(171,516)	30,177

Note 4 Other Operating Expenditure

2012/13 £000		2013/14 £000	Notes
2,256	Parish Council precepts	2,139	
2,008	Levies payable	2,190	
1,224	Payments to the Government Housing Capital Receipts Pool	1,669	
(712)	(Gain)/loss on disposal of non current assets	41,409	
0	Revaluation loss on disposal of Assets Held for Sale - current assets	25	22
4,776	Total	47,432	

Note 5 Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000	Notes
34,537	Interest payable and similar charges	34,289	26
9,484	Net interest on the net defined benefit liability (asset)	15,256	18
(595)	Interest receivable and similar income	(595)	26
1,061	Income and expenditure relating to Investment Properties and changes in their fair value	(1,052)	20
(2,533)	(Surplus) on Trading undertakings	(493)	6
41,954	Total	47,405	

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:

2012/13 as restated				2013/14		
Expenditure £000	Income £000	(Surplus) / Deficit £000		Expenditure £000	Income £000	(Surplus) / Deficit £000
17,502	(18,650)	(1,148)	Construction, Street Cleansing and Landscaping	19,456	(19,508)	(52)
880	(815)	65	Vehicle Maintenance	4,071	(4,003)	68
2,434	(2,839)	(405)	Property Services – Fee-billing	3,414	(3,690)	(276)
709	(919)	(210)	Engineering – Fee-billing	803	(1,035)	(232)
4,844	(5,069)	(225)	Cleaning of buildings	5,147	(5,181)	(34)
945	(988)	(43)	Markets	863	(1,033)	(170)
354	(347)	7	Building Regulations Control	371	(408)	(37)
9,058	(9,610)	(552)	School Support Services	9,539	(9,292)	247
101	(123)	(22)	Dispersed & Furnished Units	119	(126)	(7)
36,827	(39,360)	(2,533)	(Surplus)	43,783	(44,276)	(493)

The net surplus for the year on traded services of £0.493m 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 £0.493m is after debiting £0.757m for IAS19 pension costs (2012/13 £0.055m debit). Comparatives for Construction, Street Cleansing and Landscaping have been restated.

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 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 2010 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

2012/13 £000		2013/14 £000	Notes
98,196	Council Tax Income	82,607	
113,116	Non Domestic Rates	32,072	
0	Business Rates Top Up Grant	22,921	
15,261	Non Ring-fenced government grants	97,242	8
28,659	Capital Grants and Contributions	31,511	8
255,232	Total	266,353	

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:

2012/13 £000		2013/14 £000
2,193	Revenue Support Grant	84,302
8,033	PFI Grant	8,033
5,035	Other Non Specific Revenue Grants	4,907
15,261	Total	97,242

Capital Grants Credited to Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
13,441	Department for Transport	15,405
505	Environment Agency	509
658	Early Intervention Grant	0
141	Heritage Lottery Fund	159
3,259	Education Funding Agency: LA Maintained Maintenance Grant	3,341
1,313	Education Funding Agency: Basic Need Pupil Places	1,116
896	Education Funding Agency: LA Maintained Devolved Formula	690
0	Education Funding Agency: Targeted Basic Need	2,125
0	Education Funding Agency: Academies	3,683
7,077	Education Funding Agency: Maltby Academy	0
716	Department of Health	723
391	Fuel Poverty Fund DECC	0
0	Maltby Academy	698
109	S106 Contributions	1,124
0	Diocese of Sheffield	132
0	Department for Communities and Local Government	1,600
153	Other Local Authorities and Partners	206
28,659		31,511

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

2012/13 £000		2013/14 £000
179,647	Dedicated Schools Grant (Note 16)	169,163
110,239	Housing and Council Tax Benefit: subsidy	90,548
6,617	Sixth Form Funding	5,882
753	Troubled Families & Troubled Families Co-ordinator	1010
13,165	Early Intervention Grant	0
6,789	Pupil Premium	9,430
2,150	Housing Benefit and Council Tax Benefit Administration	1,992
0	Social Fund (FFC)	773
0	Education Services Grant	4,699
0	Business Rates Grant	22,921
58	Asylum Seekers	36
640	Youth Offending Teams Grant	540
739	NEETS (Not in Employment, Education or Training)	152
603	Rotherham Music Hub	483
0	Adoption Reform Grant	969
0	Adult Community Learning Grants	640
0	Year 7 Catch Up Premium	242
639	Enterprising Neighbourhoods / Future Jobs Fund	342
0	Local Sustainable Transport Fund	535
6,724	Learning & Disability Health Reform Grant	0
3,516	Social Care Funding	4,815
2,525	Other NHS Funding	2,702
0	Local Reform & Community Voices Grant	236
0	Adult Social Care Zero Base Review	59
0	Public Health Funding	13,790
0	Police and Crime Commission	265
1,213	Disabled Facilities Grant	984

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 Mar 13 £000		31 Mar 14 £000
2,321	Section 106 Developer Contributions	1,566
2,321	Total	1,566

Section 106 Developer Contributions

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 end are as follows:

Income £000	Expenditure £000	2012/13 £000		Income £000	Expenditure £000	2013/14 £000
0	67	0	Dinnington Colliery Site – Highways works	0	0	0
(203)	2	262	Culture and Leisure – General Fund	(228)	39	451
(1,822)	40	1,926	Other – General Fund	(324)	1,268	982
0	122	133	HRA	0	0	133
(2,025)	231	2,321	Total	(552)	1,307	1,566

Note 9 Acquired and discontinued operations

With effect from 1 April 2013, the Council took over responsibility for the delivery of public health services from the NHS. The Council received a ring-fenced public health grant of £13.79m in 2013/14 to meet the cost of delivering these services.

Income and expenditure relating to public health is presented in the Comprehensive Income and Expenditure statement under the heading of “services transferred from the NHS”.

No significant assets or liabilities were transferred.

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 Rotherham Clinical Commissioning Group (CCG) 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 Rotherham CCG, any underspend will be reimbursed by the Council to Rotherham CCG.

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

2012/13 £000		2013/14 £000
2,056	Gross income	2,003
(2,056)	Gross expenditure	(2,003)
0	Under / (over) spend	0

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 Rotherham Rotherham Clinical Commissioning Group (CCG) (formerly, NHS Rotherham) to enable joint working under 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 pooled budget arrangement for Learning Disability Services ended in 2013/14.

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

2012/13 £000	Intermediate Care	2013/14 £000
(2,634)	Funding from Rotherham CCG	(1,655)
0	Funding from NHS England	(1,095)
(1,093)	RMBC (Adult Social Services) Contribution	(1,238)
(3,727)	Total Gross Income	(3,988)
2,516	NHS Expenditure	2,750
1,013	RMBC Expenditure	1,238
3,529	Total Gross Expenditure	3,988
(198)	Net (surplus) arising on the pooled budget during the year	0
(99)	RMBC share of the net (surplus) arising on the pooled budget	0

2012/13 £000	Learning Disability Services	2013/14 £000
(3,310)	Funding from Rotherham CCG	(3,308)
(28,221)	RMBC (Adult Social Services) Contribution	(29,888)
(31,531)	Total Gross Income	(33,196)
3,310	NHS Expenditure	3,308
28,974	RMBC Expenditure	30,020
32,284	Total Gross Expenditure	33,328
753	Net deficit arising on the pooled budget during the year	132
753	RMBC share of the net deficit arising on the pooled budget	132

Rotherham CCG 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.

2012/13 £000	Integrated Equipment Store	2013/14 £000
(995)	Funding from Rotherham CCG	(1,227)
(322)	RMBC (Adult Social Services) Contribution	(282)
(1,317)	Total Gross Income	(1,509)
995	NHS Expenditure	1,227
322	RMBC Expenditure	282
1,317	Total Gross Expenditure	1,509
0	Net (surplus) / deficit arising on the pooled budget during the year	0
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 £1,121,174 excluding Joint Authority allowances (2012/13 £1,106,691 excluding Joint Authority allowances). The employers’ pension contributions associated with these allowances was £78,617 (2012/13 £81,802). Detailed information about Members’ Allowances can be obtained from the Director of Financial Services, Resources Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

2012/13 £000		2013/14 £000
759	Basic allowance	762
347	Special responsibility allowances	358
1	Travel	1
0	Subsistence	0
1,107	Total Members' Allowances and Expenses	1,121
82	Employer Pension Costs	79
1,189	Total	1,200

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 who received remuneration of £50,000 or more based on 2013/14 payroll information, expressed in bands of £5,000 is as follows:

2012/13			2013/14	
Officers Total	Teachers Total		Officers Total	Teachers Total
40	48	£50,000 - £54,999	43	37
6	58	£55,000 - £59,999	7	32
5	25	£60,000 - £64,999	5	20
2	16	£65,000 - £69,999	2	9
1	9	£70,000 - £74,999	3	3
1	7	£75,000 - £79,999	1	3
6	3	£80,000 - £84,999	8	2
1	3	£85,000 - £89,999	2	2
0	2	£90,000 - £94,999	0	4
0	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	0
0	1	£115,000 - £119,999	0	0
0	0	£120,000 - £124,999	0	0
0	2	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	1

The number of higher paid teachers has reduced as Schools convert to Academies or acquire trust status as they are no longer employees of the Council.

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) that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2013/14, the number of such employees was 25 (11 officers and 14 teachers).

The number of higher paid officers in 2013/14 includes public health employees TUPE transferred from the NHS on 1 April 2013.

The above table excludes the senior employees whose remuneration for 2012/13 and 2013/14 are shown in the Strategic Leadership Team note overleaf.

Job Title/Employee	Salary 2012/13 £	Additional Payments 2012/13 £	Compensation & Ex-gratia 2012/13 £	Total remuneration excluding employer pension contributions 2012/13 £	Pension employer contribution Refer to Note (iv) 2012/13 £
Strategic Leadership Team (who were Members during all or part of the year):					
Martin Kimber - Chief Executive	158,160.00	0.00	0.00	158,160.00	0.00
Strategic Director of Neighbourhoods and Adults Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Environment and Development Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Children and Young Peoples Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Director of Human Resources	81,548.54	0.00	500.00	82,048.54	9,785.81
Director of Legal and Democratic Services - Refer to Note (i)	81,098.04	0.00	0.00	81,098.04	9,731.75
Director of Financial Services - Refer to Note (ii)	28,884.23	0.00	0.00	28,884.23	3,466.10
Director of Public Health - Refer to Note (iii)	0.00	0.00	0.00	0.00	0.00
Total	685,931.17	0.00	500.00	686,431.17	63,332.46

Job Title/Employee	Salary 2013/14 £	Additional Payments 2013/14 £	Compensation & Ex-gratia 2013/14 £	Total remuneration excluding employer pension contributions 2013/14 £	Pension employer contribution Refer to Note (iv) 2013/14 £
Strategic Leadership Team:					
Martin Kimber - Chief Executive	159,999.96	0.00	0.00	159,999.96	0.00
Strategic Director of Neighbourhoods and Adults Services	113,384.04	0.00	0.00	113,384.04	13,606.07
Strategic Director of Environment and Development Services	113,384.04	0.00	0.00	113,384.04	13,606.07
Strategic Director of Children and Young Peoples Services	113,384.04	0.00	0.00	113,384.04	13,606.07
Director of Human Resources	81,098.04	0.00	0.00	81,098.04	9,731.75
Director of Legal and Democratic Services - Refer to Note (i)	81,098.04	2,365.30	0.00	83,463.34	10,015.07
Director of Financial Services - Refer to Note (ii)	81,098.04	2,365.30	0.00	83,463.34	10,015.07
Director of Public Health - Refer to Note (iii)	101,367.25	30,144.13	0.00	131,511.38	17,336.63
Total	844,813.45	34,874.73	0.00	879,688.18	87,916.73

The disclosure for Senior Officers Remuneration includes Senior Officers who are a Member of the Senior Leadership Team and in Statutory and Non-Statutory Chief Officers roles and any other officer whose salary details are required to be disclosed by the Accounts and Audit Regulations 2011, including any other employees whose salary exceeds £150,000.

Notes:

(i) The Director of Legal and Democratic Services assumed the role of Monitoring Officer with effect from 1 April 2012. The additional payment is recompense for fulfilling their statutory role.

(ii) The Director of Financial Services assumed the role of Section 151 Officer with effect from 22 November 2012. The 2012/13 comparative is part year only representing their earnings from this date until 31 March 2013. The additional payment is recompense for fulfilling their statutory role.

(iii) The Director of Public Health commenced employment with effect from 1 April 2013. The additional payments represent various allowances to which they are contractually entitled under their TUPE transfer from the NHS.

(iv) The LGPS Employer Pension contributions disclosed in 2012/13 and 2013/14 are based on the common rate of contribution set by the Actuary of 12 percent. Also contained in the disclosure is the Director of Public Health Employer Pension contributions that are based on the common rate of contribution set by the NHS Actuary of 14 percent.

(v) <u>Further disclosure for exit packages</u>

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 during 2013/14. 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 are comprised of actual severance payments paid during the year plus accrued severance payments for individuals who left during 2014/15 but who were paid in 2013/14 less severance payments already accrued in 2012/13.

In addition in 2013/14, a provision of £0.4m in respect of severance costs associated with the major restructuring of services has been made, based on an average estimated cost of departure. It was not possible to ascribe the group of staff to specific cost bandings. In 2012/13 the provision made related to individuals for whom it was possible to identify the severance costs. Note 36 refers to the changes to the provision for severance costs during 2013/14.

These changes are reflected in the total cost of termination benefits shown in Note (vi) below.

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	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£000	£000
£0 - £20,000	5	10	236	197	241	207	2,264	1,452
£20,001 - £40,000	5	1	71	39	76	40	2,094	1,091
£40,001 - £60,000	0	0	15	8	15	8	753	409
£60,001 - £80,000	0	0	7	7	7	7	493	491
£80,001 - £100,000	0	0	3	1	3	1	259	91
£100,001 - £150,000	0	0	4	0	4	0	457	0
£150,001 - £200,000	0	0	1	0	1	0	199	0
£200,001 - £250,000	0	0	1	0	1	0	200	0
Total	10	11	338	252	348	263	6,719	3,534

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	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000	2013/14 £000
£0 - £20,000	7	6	50	56	57	62	345	403
£20,001 - £40,000	0	1	1	7	1	8	25	224
£40,001 - £60,000	0	0	0	1	0	1	0	50
Total	7	7	51	64	58	71	370	677

(vi) Termination Benefits

As part of the rationalisation of Council services during 2013/14, some 334 employees (2012/13 406) from across the whole of the Council including schools have been given approval to leave the Council with an exit package (that is, compulsory redundancies, Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment etc.).

The liabilities incurred as a result of the early termination of employees both in schools and non-schools in 2013/14 totalled £4.2m (2012/13 £7.1m) - composed of severance payments of £3.0m (2012/13 £4.6m) and £0.4m (2012/13 £1.0m) in pensions strain costs. A further £0.8m of these pension strain costs will be paid over to the South Yorkshire Local Government Pension Scheme in 2014/15 and 2015/16 as they fall due and become chargeable to revenue (2012/13 £1.6m).

Note 15 External Audit Fees

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

2012/13 £000		2013/14 £000
186	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	186
25	Fees payable to KPMG for the certification of grant claims and returns	24
211	Total	210

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 (2011). 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:

2012/13				2013/14		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		208,916	Final DSG before Academy recoupment			213,680
		(29,269)	Less Academy figure recouped			(44,445)
		179,647	Total DSG after Academy recoupment			169,235
		1,385	Brought forward from previous year			1,146
17,247	163,785	181,032	Agreed initial Budgeted Distribution	15,797	154,584	170,381
0	0	0	In Year Adjustments	(72)	0	(72)
17,247	163,785	181,032	Final Budgeted Distribution	15,725	154,584	170,309
(16,101)		(16,101)	Less actual Central expenditure	(15,724)		(15,724)
	(163,785)	(163,785)	Less actual ISB deployed to schools		(154,584)	(154,584)
1,146	0	1,146	Carry forward to next year	1	0	1

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 made when material to either party to the extent that they are not disclosed elsewhere in the accounts.

Joint Ventures and Associates

(i) RBT (Connect) Limited

The company ceased trading on 31 January 2012. A Board Meeting on 30 May 2012 took the decision that the company be wound up voluntarily, liquidators Ernst and Young have been appointed for this purpose. A meeting of the members of the company took place on 29th April 2014 to formally dissolve the company. A notice has been submitted to Companies House to enact this dissolution which is due to take place on the 7th August 2014.

The Council owns 19.9% of the share capital of the company, and has received £23,482 in respect of the undistributed surplus balance when the company was wound up. A final payment of £3,266 will be made to the Council on formal dissolution.

(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 the Department of Business, Innovation and Skills (BIS) who inherited Yorkshire Forward's interests on 30 March 2012 following the abolition of the Regional Development Agencies.

The company was set up to manage and procure a high speed broadband network 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. Due to a range of factors, the target level of sales was not achieved. As a consequence, the shareholders took a decision in August 2013 to commence an orderly and managed closure of the DRL network over a 12 month period to enable services to be migrated without interruption of business and to enable the company to meet its debts as they fall due. A funding agreement was signed by all shareholders in February 2014 to ensure that sufficient funds will be made available to meet this objective. This has not involved the shareholders having to provide any additional funding to that already committed. In the Council's case this comprises £2m of capital loans as the Council's contribution towards deployment of the network and up to a further £7.58m of support of which £6.28m is covered by a capitalisation direction received from DCLG in 2011/12. The actual amount advanced to date against the £7.58m up to and including 2013/14 was £1.736m.

The Council 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. A restructure of the company to support its orderly closure was approved by the shareholders in June 2014. This will involve the £3.736m advanced by the Council up to and including 2013/14 being converted into a new class of C shares.

The company's latest available accounts are for the year ended 31 March 2013. These accounts have been prepared on a break-up basis rather than as a going concern following the decision to close the network. The exceptional items reflect the provision made for closing and decommissioning the network.

31 Mar 12 £000		31 Mar 13 £000
1,811	Turnover	2,288
(14,285)	Operating (loss)	(9,954)
(62,936)	Exceptional items	(1,627)
(1,303)	Net financing costs	(1,121)
(78,524)	(Loss) before taxation	(12,702)
(78,326)	(Loss) after taxation	(12,702)
(88,408)	Net Liabilities	(101,110)

A copy of the accounts can be obtained from the company's registered office, the address for which is: Electric Works, Sheffield Digital Campus, Sheffield S1 2B.

(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 ending 31 December 2012 were available and the details are as follows:

31 Dec 11 £000		31 Dec 12 £000
53	Turnover	5
(124)	Profit/(Loss)	35
(124)	Profit/(Loss) after taxation	35
4,871	Net Assets	4,906

No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2014.

(iv) Groundwork Cresswell, Ashfield and Mansfield Trust

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 Ashfield District Council, Bassetlaw District Council, Bolsover District Council, Chesterfield Borough Council, Derbyshire County Council, Mansfield District Council, Newark and Sherwood District Council, North East Derbyshire District Council, Nottinghamshire County Council, the Federation of Groundwork Trusts, 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 ending 31 March 2013 were available and the details are as follows:

31 Mar 12 £000		31 Mar 13 £000
3,099	Turnover	2,609
304	Surplus for the year	45
1,113	Net Assets	1,158

Rotherham Metropolitan Borough Council's contribution to the company during 2013/14 was £300 (2012/13 £32,000).

During the financial year ended 31 March 2014, Creswell Groundwork Trust provided services totalling £2,854 to the Council (2012/13 nil) and incurred no charges from the Council (2012/13 nil).

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

(v) 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 ending 31 March 2012 were available and the details are as follows:

31 Mar 11 £000		31 Mar 12 £000
1,769	Turnover	1,104
116	Surplus for the year	11
143	Net Assets	154

Rotherham Metropolitan Borough Council provided no contribution to the company during 2013/14 (2012/13 £33,480).

During the financial year ended 31 March 2014, Groundwork Dearne Valley Limited provided services to the Council to the value of £30,678 (2012/13 £119,964) and incurred no charges from the Council (2012/13 £412,975).

During 2013/14 Groundwork Dearne Valley went into administration. The company continued to trade whilst the administrator, BDO LLP, was in the process of preparing a recovery plan with a view to securing the company's future as a going concern. The company has subsequently come out of administration.

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.

(vi) 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 company is run by a Board of Trustees whose membership includes the Council, Voluntary Action Rotherham, the National Institute for Adult Continuing Education, GROW and the University of Sheffield.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2013 were available and the details are as follows:

31 Mar 12 £000		31 Mar 13 £000
173	Turnover	48
63	Surplus/(Deficit) for the year	(27)
63	Net Assets	36

Rotherham Metropolitan Borough Council's contribution to the company during 2013/14 was nil (2012/13 nil).

During the financial year ended 31 March 2014, the company provided services to the Authority to the value of £6,654 (2012/13 £19,500). Inspire Rotherham incurred charges from the Council of £50 (2012/13 £57).

A copy of the accounts can be obtained from Mrs D Bullivant, Rockingham Professional Development Centre, Roughwood Road, Rotherham, S61 4HY.

(vii) Learners First Schools Partnership Ltd

Learners First Partnership Ltd is a school company limited by guarantee established under sections 11 and 12 of the Education Act 2002 and associated School Companies Regulations 2002 and School Companies (Private Finance Initiative) Regulations 2002. The company was incorporated on 16 August 2012 and commenced trading on 1 September 2012. It is a not for profit company with any surpluses being applied to the furtherance of the objects of the company.

Wickersley School and Sports College's was the sole member of the company for the year ended 31 August 2013. The Council acted as supervising authority for the company until Wickersley school converted to an academy on 1 March 2014.

The company's principal activity is to support school improvement and leadership development.

The company's trading performance in its first year of operation to the 31 August 2013 has been reported in two sets of half yearly accounts. The results are summarised in the table below:

6 months to 28 Feb 13 £000		6 months to 31 Aug 13 £000
267	Turnover	325
204	Surplus for the period	75
204	Net Assets	279

Included within turnover for the 6 months ended 31 August 2013 is £256,856 of Dedicated Schools Grant funding (£256,856 also for the 6 months ended 28 February 2013) allocated to the company to develop and deliver a programme of courses to schools within Rotherham aimed at enhancing the quality of leadership, teaching and learning. This was vired from the Council to Wickersley School and Sports College before being transferred to the company. In total, virements of £813,377 have been made by RMBC to Wickersley School for the financial year ended 31 March 2014. The remaining £299,665 transferred from Wickersley School and Sports College to the company in respect of the year ended 31 March 2014 will be recognised as income in the company's accounts over the period from 1 September 2013 until 31 March 2014.

The Council holds a further £400,560 of Dedicated Schools Grant which has still to be vired to local authority maintained schools, £361,200 of which is claimed as being due to the company. The £361,200 has not been recognised in the company's accounts pending clarification on its intended use and how it will be monitored.

The company's set up costs were met by Wickersley School and Sports College from dedicated School Grants funds vired from the Council.

The company incurred a number of costs recharged by Wickersley School in its first year of operation, the principal ones being £66,909 of staff costs, planning development and course delivery fees of £19,130, and, licences and subscriptions £16,800.

A copy of the accounts of the company may be obtained from Wickersley School & Sports College, Bawtry Road, Wickersley, Rotherham S66 1 JL.

(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 advance education of science and technology, 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 ending 29 March 2013 were available and the details are as follows:

30 Mar 12 £000		29 Mar 13 £000
2,601	Turnover	2,192
(1,208)	Deficit for the year	(1,257)
15,499	Net Assets	14,242

During the financial year ended 31 March 2014, the company provided services to the Authority to the value of £39,906 (2012/13 £109,857). Magna incurred charges from the Council of £11,657 (2012/13 £10,992 as restated).

A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £175,000 was still outstanding as at 31 March 2014. The Council issued to Magna a short term loan of £250,000 during 2013/14. This was repaid, in full, on the 31 March 2014. An additional facility of £80,000 has been made available within 2013/14.

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

(ix) Ministry of Food Limited

The Ministry of Food Limited is a not for profit social enterprise Company Limited by guarantee with no share capital incorporated on 1 November 2010. Its principal objectives are to promote and advance the education of health and well-being through healthy diet and eating.

The activities of the Ministry of Food Centre set up in Rotherham in 2008 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 company temporarily closed its business premises in June 2013 and is due to reopen in the autumn of 2014. At the time of publication of this Statement, accounts for the company for the year ending 31 March 2013 were available and the details are as follows:

31 Mar 12 £000		31 Mar 13 £000
260	Turnover	129
41	Surplus for the year	4
41	Net Assets	4

The Council provided £79,634 of financial support during 2013/14 (2012/13 £3,123). During the financial year ended 31 March 2014, the company provided no services to the Council (2012/13 £6,209) and was recharged £112,631 of staff costs and goods and services purchased on behalf of the company through the Council (2012/13 £161,233).

A copy of the accounts can be obtained from Voluntary Action Rotherham, The Spectrum, Coke Hill, Rotherham, S60 2HX.

(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 was reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company. As at 31 July 2013 there were 18 members of which 3 were local authority nominated.

The mission of the company is: 'To provide outstanding residential and community education for the empowerment and transformation of individuals and communities.'

At the time of publication of this Statement, accounts for the company for the year ending 31 July 2013 were available and the details are as follows:

31 Jul 12 £000		31 Jul 13 £000
5,662	Turnover	5,616
670	Surplus for the year	145
1,567	Net Assets	2,050

Rotherham MBC made no contribution towards the running costs of the company during 2013/14 (2012/13 nil).

During the financial year ended 31 March 2014, the company provided services to the Council of £2,078 (2011/12 £45,260) and incurred no charges from the Council (2012/13 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 providing "Advice and Guidance to unemployed clients, including specialist support and wage subsidies."

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 ending 31 March 2013 were available and the details are as follows:

31 Mar 12 £000		31 Mar 13 £000
1,389	Turnover	1,719
(268)	(Loss)	(82)
(267)	(Loss) after taxation	(83)
1,896	Net Assets	1,491

Rotherham Borough Council's grants to and payments for services provided by the company during 2013/14 was £11,992 (2012/13 £13,195), and incurred charges from the Council to the value of £3,224 (2012/13 £3,069).

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.

The company was formerly dissolved via voluntary strike off on 28 August 2012.

(xiii) Rotherham United Community Sports Trust

Rotherham United Community Sports Trust is a company limited by guarantee governed by a board of trustees in accordance with 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.

Its principal activities are to promote community participation in healthy recreation, provide and assist in providing facilities for sport and recreation in the interests of social welfare, and, to advance the education of children and young people.

At the time of publication of this Statement, accounts for the company for the year ending 31 August 2013 were available and are as follows:

31 Aug 12 £000		31 Aug 13 £000
815	Gross incoming resources for the year	872
48	Net incoming resources for the year	11
272	Net Assets	283

During 2013/14, the Council paid a grant of £2,500 to the trust (2012/13 £300) and payments for services provided by the company of £37,446 (2012/13 £36,288) and it incurred charges from the Council to the value of £59,050 (2012/13 £538).

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 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.

The company's principal activity is to advance education and learning through the use of information and communications technology for the benefit of schools, teachers and learners in the Yorkshire and Humberside Region.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2013 were available and the details are as follows:

31 Mar 12 £000		31 Mar 13 £000
2,142	Turnover	2,013
1	Profit	36
1	Profit after taxation	29
(205)	Net Liabilities	(347)

The net liabilities of £347,000 at 31 March 2013 comprise a trading surplus of £98,000 (2012/13 £58,000 surplus) and pension liability of £445,000 (2011/12 £263,000 pension liability). In the view of the company's directors, the company will continue to operate into the foreseeable future and is therefore a going concern.

Rotherham MBC did not make a direct contribution to the running costs of this company during 2013/14 (2012/13 nil).

During the financial year ended 31 March 2014, the company provided services to the Authority to the value of £120,320 (2012/13 £136,962) and incurred no charges from the Council (2012/13 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 was one of thirteen local authority founder members. A further 24 associate members have since joined.

The principal activity of the organisation is to deliver effective, efficient and economical arrangements for the supply of goods, materials and services by securing the best terms for purchasing, storing and distributing items in common use.

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2013 were available and the details are as follows:

31 Dec 12 £000		31 Dec 13 £000
128,447	Turnover	121,855
10,871	Surplus for the year before dividend	8,628
(7,068)	Dividend declared	(8,210)
3,803	Retained Surplus	418
15,846	Net Assets	23,034

Rotherham MBC did not make a direct contribution to the running costs of this company during 2013/14 (2012/13 nil).

During the financial year ended 31 March 2014, the Council purchased goods to the value of £3.14m through the YPO (2012/13 £3.45m as restated).

The Council’s share of the declared dividend was £409,005 (2012/13 £414,000) and also received a customer loyalty bonus of £26,940 (2012/13 £26,000).

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.

2012/13 £	Related Parties	Nature of Transactions	2013/14 £
	Assisted Organisations:		
43,922	Dinnington Resource Centre	Fees	22,900
33,612	Full Life Christian Centre	Grants	29,188
33,582	Get Sorted Academy of Music	Fees	21,788
154,079	Rotherham Advocacy Partnerships	Grants and Fees	93,353
19,224	Rotherham Diversity Forum	Grants and Fees	20,294
13,202	Rotherham Ethnic Minority Alliance Ltd	Fees	3,599
21,546	Tassibee Project	Grants, Fees and Charges	25,732
29,406	United Multicultural Centre Ltd	Fees	19,011
	Member Related:		
70,000	Home-Start Rotherham	Grants	0
448,439	Rotherham and Barnsley Mind	Grants and Fees	448,622
302,186	Rotherham Women's Refuge	Fees	310,108
11,013	Safe At Last	Fees and Charges	14,470
45,228	Swinton Lock Activity Centre	Grants and Fees	56,544
345,488	Voluntary Action Rotherham	Grants and Fees	318,474
	Officer Related Organisations:		
80,286	GROW	Grants and Fees	60,478
29,698	Kiveton Park Independent Advice	Grants and Fees	33,198
	Other Related Organisations:		
16,875,085	South Yorkshire Integrated Transport Authority	Levy	16,443,908

Note 18 Pensions

The Council participates in three separate pension schemes relating to: Teachers, other employees and staff performing Public Health Functions who transferred to the authority on 1 April 2013. All three schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

(a) Teachers

Teachers employed by the Council 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 Council 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 Council 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 2013/14 the Council paid employer's contributions calculated at 14.1% amounting in total to £10.16m (2012/13 £10.98m). Contributions have reduced due to a number of schools converting to academies during 2013/14.

The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2015 is £6.91m.

HM Treasury (HMT) has recently published the final Directions and the expected outcome of the Teachers' Pension Scheme valuation is a total contribution rate of 26%. The Teachers' Pension Scheme proposed final agreement provides that scheme members will pay an average contribution rate of 9.6%, with the balance falling on employers; meaning that the new Scheme employer contribution rate will be 16.4% which will be payable from September 2015. Until then the existing rate of 14.1% will be payable, budgets have been prepared on this basis.

Changes to the Teacher's Pension Scheme are planned to take effect in April 2015, including conversion to a career average scheme.

(b) Public Health Staff

Under the provisions of the Health and Social Care Act 2012, Public Health functions and the staff performing these duties were transferred from the National Health Service to Local Authorities on 1 April 2013. The majority of staff transferring have the eligibility to continue membership of the National Health Service Pension Scheme (NHSPS).

The NHSPS is an unfunded scheme operated on a "pay as you go" basis which provides defined benefits to its members. The NHS Business service (NHSBS) which administers the scheme uses a notional fund as a basis for calculating the employer's contribution rate paid by Local Authorities. However, it is not possible for the Council to identify its share of the underlying assets and liabilities relating to the and it is therefore accounted for as if it were a defined contribution scheme with the amount charged to revenue being the employer contributions payable in the year. Employee contributions are tiered from 5% to 13.3% based on salary.

During 2013/14 the Council paid employer's contributions calculated at 14% amounting in total to £0.157m.

The total of contributions expected to be made to the NHS Pension Scheme by the Council in the year to 31 March 2015 is £0.158m. Changes to the NHS Pension Scheme are due to take effect in April 2015 including conversion to a career average scheme.

(c) 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. Consequently, 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 2013/14 the Council paid employer's superannuation contributions calculated at 17.9% amounting to £22.070m (2012/13 £22.141m at 17.7%).

Total contributions of £23.1m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 based on a contribution rate of 19.5%. The increase in the contribution rate reflects the results of the 2013 Triennial Valuation including the phasing in of an increased normal contribution rate for employers and the planned recovery over the next 22 years through additional employer contributions of Rotherham's share of the shortfall on the pensions fund. The 2013 Valuation also took account of changes to the Local Government Pensions Scheme which took effect from April 2014.

The Valuation assessed the cost of future service accrual for employers as being 12.9% (previously 12%) and this increase is being phased in over three years starting with 12.3% in 2014/15. The overall contribution rate of 19.5% was determined using the increased normal contribution rate for employers (12.3% in 2014/15) and a deficit recovery contribution of £9.24m. The percentage contribution rate was calculated on the basis of estimated pensionable pay adjusted to reflect changes in pay, the inclusion of all overtime payments in pensionable pay, restructuring and severance plans and the conversion of schools to academy status.

In determining the pensions' transactions shown in these accounts the actuary has also made an allowance for non-teaching staff at 17 schools acquiring academy status during the year (and plans are in place for a further 21 schools to acquire academy status during 2014/15 with an additional 18 having expressed an interest in conversion).

The funding position and employers' contributions will be reviewed again at the next actuarial valuation due in 2016 showing the position as at 31 March 2016.

The funding level of the Pensions Fund is subject to a range of potentially material risks and although these may be to some extent outside the control of the South Yorkshire Pensions Authority actions are in place to mitigate and manage them.

- The majority of benefits under the pensions' scheme will be paid many years into the future and in order to determine their value there is a need to make assumptions about factors that will affect the cost of the benefits such as; how long members will live, ill health retirements and members' decisions about their options under the scheme. If actual market levels or yields on gilt bonds etc. differ from assumptions the funding level can deteriorate and employers' contributions would be expected to increase as a result. To mitigate the risk around assumptions a sensitivity analysis has been undertaken showing the impact of small changes to the key assumptions (see sensitivity analysis later in this note). In assessing the potential level of liabilities the funds actuary has estimated the weighted average maturity profile of the defined benefit obligation to be 19 years.

- The Pensions Authority invests the funds held by the scheme with the aim of achieving a return on these funds to pay the benefits due, if actual investment returns do not in future match the assumptions then the value of the assets will be lower and a funding shortfall could arise. To address this South Yorkshire Authority has processes in place to monitor investment performance and the actuaries produce an annual review of the fund's performance (included in this is a comparison to other local authority funds). The Pension Fund's investment strategy is reviewed alongside each triennial valuation.

- Should an employer become unable to pay contributions or make good deficits, the Fund's assets will be lower than planned and the funding level will be lower than expected the short fall would then become the responsibility of any guarantor. This risk can be mitigated by regular reviews of employer covenants. Should an employer terminate their participation in the LGPS they would become an "Exiting Employer" and under the scheme Regulations the shortfall and its treatment would be determined in line with the agreed Termination Policy. As a last resort the regulations allow for the shortfall to be spread across the whole of the Fund with the liability falling on employers in relation to their size. This risk is mitigated by having guarantors and bonds for smaller employers admitted to the scheme.

- Rotherham Council does not act as guarantor for other employers. Council contractors with access to the LGPS are required to have bonds in place (which are subject to regular review) to cover unpaid liabilities should their business fail before the end of their contract with the Council. In addition, contractors' contributions are subject to smoothing arrangements which are intended to ensure that they are fully funded by the end of the contract period.

Transactions relating to Post-employment Benefits

The amounts included in the Comprehensive Income and Expenditure statement in relation to post retirement benefit costs under IAS 19 are shown in the table overleaf. It also shows the adjustment made through the Movement in Reserves Statement to bring the amount charged to the General Fund back to the employer contributions payable to the LGPS during the year. The comparatives are as previously reported in last year's accounts under FRS 17 but have been re-presented on an IAS 19 basis so that they are like for like with the amounts reported in 2013/14.

Total Funded & Unfunded Local Government Pension Scheme 2012/13 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2012/13 £000		Total Funded & Unfunded Local Government Pension Scheme 2013/14 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2013/14 £000
		Net Cost of Services		
(20,809)	0	- Current Service Cost	(25,969)	0
(2,209)	0	- Past Service	(1,216)	0
972	0	- Gain / (loss) from settlements	13,401	0
		Financing and Investment Income and Expenditure		
(2,058)	0	- Current Service Cost - Trading Services	(3,143)	0
(9,484)	(932)	- Net Interest Expense	(15,256)	(846)
(33,588)	(932)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(32,183)	(846)
		Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
0	0	- Experience gain / (loss) on liabilities	12,114	(1,038)
53,774	0	- Return on plan assets (excluding the amount included in the net interest expense)	26,950	0
(11,032)	(132)	- Actuarial gains and (losses) arising on changes in demographic assumptions	(16,711)	(206)
(116,130)	(1,392)	- Actuarial gains and (losses) arising on changes to financial assumptions	93,742	686
(73,388)	(1,524)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	116,095	(558)
		Movement in Reserves Statement		
8,346	(1,123)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	7,854	(48)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(25,242)		- Employer's contributions payable to Scheme	(24,329)	
	(1,333)	- Rechargeable Pensions		(1,356)

The Unfunded liabilities represent Compensatory Added Years' benefits which are not a liability of the LGPS and are therefore recharged to the employer. They have been included in the liabilities figure for the purpose of IAS 19 calculations, as unfunded discretionary benefits arrangements.

The gain / (loss) on settlements represents the effect of schools converting to academies during the year.

Net interest expense above includes £0.499m Administrative expenses in relation to investments during 2013/14.

In addition to the recognised gains and losses included in the CIES, actuarial gains of £116.095m (£73.388m loss in 2012/13), were included in other comprehensive income and expenditure in the CIES.

Pension Assets and Liabilities recognised on the Balance Sheet

The amount included in the balance sheet from the authority's obligation in respect of its defined benefit plans is as follows:

		Total Funded & Unfunded Local Government Pension Scheme 31 Mar 13 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 14 £000
Fair Value of Scheme Assets		760,597	813,202
Present value of Funded Liabilities		(1,112,251)	(1,056,567)
Net (under) funding in Funded Plans		(351,654)	(243,365)
Present Value of Unfunded Discretionary Liabilities		(20,815)	(20,863)
		(372,469)	(264,228)
Amount in the Balance sheet:			
Liabilities - funded and unfunded		(1,133,066)	(1,077,430)
Assets - funded and unfunded		760,597	813,202
Net Assets / Liabilities		(372,469)	(264,228)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Total Funded & Unfunded Local Government Pension Scheme 2012/13 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2012/13 £000		Total Funded & Unfunded Local Government Pension Scheme 2013/14 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2013/14 £000
673,459	0	Fair Value of Plan Assets at beginning of period	760,597	0
37,575	0	Interest on plan assets	31,791	0
		Remeasurement gain / (loss):		
53,774	0	- The return on plan assets, excluding the amount included in interest expense	26,950	0
0	0	- Administrative expenses	(499)	0
(397)	0	- Settlements	(5,094)	0
25,242	1,333	- Employer contributions	24,329	1,356
7,766	0	- Member contributions	7,700	0
(36,822)	(1,333)	- Benefits/transfers paid	(32,572)	(1,356)
760,597	0	Fair Value of Scheme Assets at end of period	813,202	0

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Total Funded & Unfunded Local Government Pension Scheme 2012/13 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2012/13 £000		Total Funded & Unfunded Local Government Pension Scheme 2013/14 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2013/14 £000
(964,194)	(19,692)	Benefit Obligation at beginning of period	(1,133,066)	(20,815)
(20,809)	0	Current Service Cost	(25,969)	0
(2,058)	0	Trading Services	(3,143)	0
(47,059)	(932)	Interest Cost	(46,548)	(846)
(7,766)	0	Member Contributions	(7,700)	0
		Remeasurement gains and (losses):		
0	0	- Experience gain / (loss)	12,114	(1,038)
(11,032)	(132)	- Actuarial Gain / (loss) arising from changes in demographic assumptions	(16,711)	(206)
(116,130)	(1,392)	- Actuarial Gain / (loss) arising from changes in financial assumptions	93,742	686
(20)	0	- Past Service Cost	(67)	0
(2,189)	0	- (Loss) / gain on Curtailments	(1,149)	0
1,369	0	- Liabilities extinguished on Settlements	18,495	0
36,822	1,333	- Benefits/Transfers paid	32,572	1,356
(1,133,066)	(20,815)	Benefit Obligation at end of period	(1,077,430)	(20,863)

Analysis of the Fair Value of Plan Assets:

	Quoted (Y/N)	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 13 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 14 £000
Cash & cash equivalents:		12,246	16,492
Equity Investments:			
- UK quoted	Y	162,014	176,766
- Overseas quoted	Y	299,394	325,305
Bonds:			
- UK Government indexed	Y	87,819	84,630
- Overseas Government fixed	Y	19,532	21,322
- Overseas other	Y	5,134	3,261
- UK other	Y	50,831	50,703
Property:			
- UK direct	Y	59,273	68,126
-Property Funds	Y	10,496	11,698
Alternatvies:			
- Pooled Investment Vehicles	N	53,858	54,899
		760,597	813,202

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis discounted to present value terms 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 31 March 2013.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2012/13	Discretionary Benefits 2012/13		Local Government Pension Scheme 2013/14	Discretionary Benefits 2013/14
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.8 years	21.8 years	Men	22.9 years	22.9 years
24.7 years	24.7 years	Women	25.5 years	25.5 years
		Longevity at 65 for future pensioners:		
23.7 years	23.7 years	Men (in 20 years time)	25.2 years	25.2 years
26.6 years	26.6 years	Women (in 20 years time)	28.3 years	28.3 years
2.4%	2.4%	Rate of CPI inflation	2.4%	2.4%
4.15%	-	Rate of increase in salaries	4.15%	-
2.4%	2.4%	Rate of increase in pensions	2.4%	2.4%
4.2%	4.2%	Rate for discounting scheme liabilities	4.5%	4.5%

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.

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are longevity, rate of inflation, expected salary increase and discount rate. The sensitivity analysis below indicates the effect on the defined benefit obligation of changes to these assumptions.

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £20.820m if all other assumptions were held constant.

- If the rate of inflation were to be 0.1% higher, the defined benefit obligation would increase by £20.853m if all other assumptions were held constant.

- If the expected salary growth were to be 0.1% higher, the defined benefit obligation would increase by £4.787m if all other assumptions were held constant.

- If the discount rate were to be 0.1% higher, the defined benefit obligation would decrease by £20.456m if all other assumptions were held constant.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depends to a certain extent on expected inflation rates. The analysis above does not take account of any interdependence between the assumptions.

Impact on the Authority’s Cash Flows

The Authority has agreed a strategy with the Scheme’s Actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

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 19 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 Apr 12 as restated	533,900	593,909	54,042	113,782	5,766	23,565	18,196	1,343,160
Additions	18,975	7,492	2,258	5,548	160	18,265	859	53,557
Accumulated Depreciation and Impairment written out to gross cost/valuation	(23,513)	(22,349)	0	0	0	0	(6,153)	(52,015)
Revaluation increases/decreases to Revaluation Reserve - as restated	923	11,706	0	0	0	0	2,935	15,564
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,287)	(11,327)	0	0	0	0	(8,042)	(20,656)
Derecognition - Disposals as restated	(1,208)	(3,650)	(211)	0	0	0	(9,225)	(14,294)
Derecognition - Other	0	0	(48)	0	0	0	0	(48)
Reclassified to/from Held for Sale	0	0	0	0	0	0	1,425	1,425
Reclassified to/from Investment Properties	0	567	0	0	0	0	0	567
Other Movements in cost valuation as restated	179	(18,075)	3,786	5,315	809	(14,210)	22,196	0
At 31 Mar 13 as restated	527,969	558,273	59,827	124,645	6,735	27,620	22,191	1,327,260
Depreciation and Impairment								
At 1 Apr 12 as restated	(23,328)	(93,311)	(16,088)	(22,036)	(5,038)	(640)	(3,151)	(163,592)
Accumulated Depreciation and Impairment written out to gross cost/valuation	23,513	22,349	0	0	0	0	6,153	52,015
Depreciation Charge	(12,316)	(10,130)	(5,754)	(2,735)	(3)	0	(84)	(31,022)
Impairment losses/reversals to Revaluation Reserve	(430)	(2,245)	0	0	0	0	(1)	(2,676)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services - as restated	(18,416)	(4,247)	(244)	(1,310)	(1,074)	0	(2,264)	(27,555)
Derecognition - Disposals	58	1,693	18	0	0	0	2,364	4,133
Derecognition - Other	0	0	14	0	0	0	0	14
Reclassification to / from Held for Sale	0	0	0	0	0	0	(790)	(790)
Other movements in depreciation and impairment - as restated	(5)	4,152	0	0	0	0	(4,147)	0
At 31 Mar 13 as restated	(30,924)	(81,739)	(22,054)	(26,081)	(6,115)	(640)	(1,920)	(169,473)
Net Book Value								
At 31 Mar 13 as restated	497,045	476,534	37,773	98,564	620	26,980	20,271	1,157,787
At 31 Mar 12 as restated	510,572	500,598	37,954	91,746	728	22,925	15,045	1,179,568

	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								
1 April 13 as restated	527,969	558,273	59,827	124,645	6,735	27,620	22,191	1,327,260
Additions	25,742	12,451	3,851	3,841	0	21,042	179	67,106
Accumulated Depreciation and Impairment written out to gross cost/valuation	(31,335)	(38,069)	0	0	0	(1,095)	(669)	(71,168)
Revaluation increases/decreases to Revaluation Reserve	2,166	16,627	0	0	0	0	(3,091)	15,702
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	6,493	8,363	0	0	0	0	(1,187)	13,669
Derecognition - Disposals	(2,606)	(40,672)	(6,621)	0	0	0	(173)	(50,072)
Derecognition - Other	0	0	(149)	0	0	0	0	(149)
Reclassified to/from Held for Sale	0	0	0	0	0	0	(3,737)	(3,737)
Reclassified to/from Investment Properties	0	0	0	0	0	0	1,380	1,380
Other Movements in cost valuation	48	(3,833)	3,820	1,566	81	(8,097)	5,992	(423)
At 31 Mar 14	528,477	513,140	60,728	130,052	6,816	39,470	20,885	1,299,568
Depreciation and Impairment								
1 April 13 as restated	(30,924)	(81,739)	(22,054)	(26,081)	(6,115)	(640)	(1,920)	(169,473)
Accumulated Depreciation and Impairment written out to gross cost/valuation	31,335	38,069	0	0	0	1,095	669	71,168
Depreciation Charge	(12,919)	(11,296)	(5,088)	(2,972)	(3)	0	(114)	(32,392)
Impairment losses/reversals to Revaluation Reserve	(577)	(2,380)	0	0	0	0	(226)	(3,183)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(24,475)	(9,470)	(3)	(1,494)	(250)	(454)	(744)	(36,890)
Derecognition - Disposals	70	3,446	1,390	0	0	0	3	4,909
Derecognition - Other	0	0	21	0	0	0	0	21
Reclassification to / from Held for Sale	0	0	0	0	0	0	278	278
Other movements in depreciation and impairment	(1)	367	(55)	0	0	0	(311)	0
At 31 Mar 14	(37,491)	(63,003)	(25,789)	(30,547)	(6,368)	1	(2,365)	(165,562)
Net Book Value								
At 31 Mar 14	490,986	450,137	34,939	99,505	448	39,471	18,520	1,134,006
At 31 Mar 13 as restated	497,045	476,534	37,773	98,564	620	26,980	20,271	1,157,787

(a) Carrying Value of PFI Assets

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

2012/13 £000		2013/14 £000
	Cost or Valuation:	
145,078	At 1 April	142,875
(2,413)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(377)
198	Additions	1,256
186	Revaluation Increases / (Decreases) taken to Revaluation Reserve	334
(174)	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	1,132
0	Derecongnition - Disposals	(32,255)
142,875	Cost or Valuation at 31 March	112,965
	Depreciation & Impairment:	
10,368	At 1 April	11,290
(2,413)	Adjustments between cost / value & depreciation/impairment	(377)
3,137	Depreciation Charge	2,827
0	Depreciation written out on Revaluation Reserve	0
0	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
122	Impairment Losses Recognised in the Revaluation Reserve	316
76	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	939
0	Derecognitions - Disposals	(3,031)
11,290	Depreciation and impairment at 31 March	11,964
	Net Book Value	
131,585	At 31 March	101,001

2012/13 £000		2013/14 £000
115,669	Land and buildings	89,891
13,913	Vehicles, Plant, Furniture and Equipment	9,107
2,003	Assets under Construction	2,003
131,585	Total	101,001

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 2013/14 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	23,138	28,901	60,728	130,053	6,812	942	39,471	290,045
Valued at fair value as at:								
31 Mar 14	505,339	132,277	0	0	0	18,120	0	655,736
31 Mar 13	0	111,535	0	0	0	897	0	112,432
31 Mar 12	0	66,694	0	0	0		0	66,694
31 Mar 11	0	156,320	0	0	0	801	0	157,121
31 Mar 10	0	17,414	0	0	0	126	0	17,540
Total Cost or Valuation	528,477	513,141	60,728	130,053	6,812	20,886	39,471	1,299,568

Downward Revaluations and Impairment

Of the net valuation decrease of £23m charged to the CIES in 2013/14, £36.326m relates to capital expenditure which did not enhance asset carrying values, this being offset by a net reversal of previous revaluation losses of £13.669m.

Capital commitments

At 31 March 2014 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14. The Council had significant commitments of £1 million or more budgeted to cost £18.985m (£45.323 million at 31 March 2013).

	Cost £m
Neighbourhood and Adult Services:	
Refurbishment of Dwellings	14.289
Replacement of Rainwater Goods - Dwellings	2.535
External Wall Insulation - Dwellings	1.016
Children and Young People's Services:	
Dalton Listerdale Extension	1.145
Total	18.985

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

Note 20 Investment Property

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

2012/13 £000		2013/14 £000
(1,288)	Rental income from investment property	(1,367)
494	Direct operating expenses arising from investment property	456
(794)	Net income	(911)
1,370	Net (surplus) / losses from fair value adjustments	(239)
485	Loss on disposal	98
1,061	Total included in Finance & Investment Income	(1,052)

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

2012/13 £000		2013/14 £000
33,736	Balance at 1 April	31,098
149	Subsequent expenditure	6
(850)	Disposals	(607)
(1,370)	Net (losses) / gains from fair value adjustments	239
(567)	Transfers (to) / from Property, Plant & Equipment	(1,380)
31,098	Balance 31 March	29,356

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 21 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.

2012/13 £000		2013/14 £000
	Balance at 1 April:	
1,568	- Gross carrying amount	2,078
(1,303)	- Accumulated amortisation	(1,438)
265	Net carrying amount at 1 April	640
	Additions:	
510	- Purchases	710
0	- Reclassified from PP&E under Construction	398
(135)	Amortisation	(239)
640	Net carrying amount at 31 March	1,509
	Comprising:	
2,078	Gross carrying amounts	3,186
(1,438)	Accumulated amortisation	(1,677)
640	Balance at 31 March	1,509

Note 22 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance at 1 April	2,107	288	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	80	3,459	0	0
- Newly Acquired Assets	0	0	0	0
Revaluation losses	(62)	(25)	0	0
Impairment Losses	(785)	0	0	0
Assets declassified as held for sale:				
- Property, Plant and Equipment	(715)	0	0	0
Assets sold	(337)	(3,033)	0	0
Balance at 31 March	288	689	0	0

Note 23 Heritage Assets

Nature and scale of heritage assets held by the Council:

Museum Exhibit

The Museum Exhibit collections hold over 60,000 items. Approximately 10% of these are on display at Clifton Park Museum in Rotherham. The remainder are held in off-site locations within the Borough. Access to the collections can be obtained during the main museum opening times. The collections can be divided into the following main categories:

a) Social & Industrial History (around 11,000 items) - Contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day.

b) Archaeology (around 6,500 items) - Includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham).

c) World Cultures (around 300 items) - 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) - Includes items dating from the 4th century BC to the 20th century AD.

e) Fine Art (around 3,000 items) - Consists of oil paintings, water-colours, prints and a good collection of sculpture items.

f) Decorative Art (around 5,500 items) - Predominated by ceramic items including a large collection from Yorkshire potteries, the most significant being items from the Swinton Pottery/Rockingham Works.

g) Natural Sciences (over 30,000 items) – Including botanical and geological specimens from Yorkshire and Great Britain.

These assets are carried at valuation, using the insurance valuation as a proxy for market value or the sale of similar items as a basis, with the exception of the addition in 2012/13 which is currently shown at cost.

Civic Regalia & Plate

The Council's collection of Civic Regalia includes the Mayor and Mayoress' Chain of Office, the Diamond Pendant, the Mace and the Empire Cup. The chains and pendants are held in a safe in the Town Hall until required for civic ceremonies whilst all other items are kept in display cases and can be seen as part of a tour of the building.

These assets are carried at valuation rather than cost, using the insurance valuation as a proxy for market value.

Archives

The Council holds over 900 archive collections in secure, environmentally controlled, strong rooms and a secure, environmentally monitored store at Bailey House. These documents cover the history of the whole of Rotherham Borough from 1328 to the present day. The collection includes local authority materials, maps, plans, title deeds and family records. Access to the documents can be obtained by contacting the Archives and Local Studies Service.

These assets are carried at valuation rather than cost, using the insurance valuation as a proxy for market value.

Historic Buildings

Two historic buildings are in the ownership of the Council: Keppel's Column, a 35.5 metre high free standing Tuscan order column listed grade II, and Catcliffe Glassworks Cone a listed grade I conical structure dating from 1740, the earliest surviving example of its type in Western Europe. These buildings are closed to the public on safety grounds.

These assets are carried at valuation rather than cost, both of them being valued on the 1st April 2012 by by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer. Both were regarded as having nil value as they are listed building with restrictions on their disposal, which gives them no commercial value.

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 Heritage Services.

Heritage Assets

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Cost or Valuation					
At 1 Apr 12 as restated	4,946	1,746	258	0	6950
31 Mar 13	4948	1746	258	0	6952

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Cost or Valuation					
1 Apr 13	4,948	1,746	258	0	6,952
31 Mar 14	4,948	1,746	258	0	6,952

Heritage Asset Values

The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried at fair value.

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Historic Cost	2	0	0	0	2
Valuation	4,946	1,746	258	0	6,950
Total Value	4,948	1,746	258	0	6,952

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
2011/12	0	0	0	0	0
2012/13	2	0	0	0	2
2013/14	0	0	0	0	0
Total Value	2	0	0	0	2

It is not practicable to present additions for years prior to 2010/11 as detailed information is not available.

Disposal of Heritage Assets in 2013/14

There have been no Heritage Asset disposals in 2013/14.

Note 24 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 Mar 13 £000	31 Mar 14 £000	31 Mar 13 £000	31 Mar 14 £000
Financial Liabilities (principal amount)	476,163	448,884	12,274	27,280
Plus Accrued Interest	0	0	4,762	4,750
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	476,163	448,884	17,036	32,030
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	476,163	448,884	17,036	32,030
Loans and receivables (principal amount)	1,020	0	14,459	19,754
Plus Accrued Interest	0	0	1	1
Plus(+)/Less(-) Other accounting adjustments	(241)	0	(55)	(6)
Loans and receivables at amortised cost	779	0	14,405	19,749
Unquoted equity investments at cost	192	192	0	0
Total Investments	971	192	14,405	19,749

No financial instruments have been reclassified during the year. The Council also did not transfer any financial assets which have not been derecognised or retained a continuing involvement in a transferred asset.

Note 25 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	Historical experience of default	Adjustment for market conditions at	Estimated maximum exposure to defaults
	31 Mar 14		31 Mar 14	
	£000	%	%	£000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions – excluding Icelandic Banks				
AAA rated counterparties	19,651	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	19,651			0
Debtors				
Long Term Debtors	10,528	1.501%	1.501%	158
Sundry Debtors	9,772	10.909%	10.909%	1,066
Council Tax	6,213	36.826%	36.826%	2,288
NNDR	1,263	37.688%	37.688%	476
Community Charge	43	95.349%	95.349%	41
Housing Benefits	3,231	34.850%	34.850%	1,126
Housing Tenants	5,314	63.436%	63.436%	3,371
Other Short-Term Debtors	19,713	5.387%	5.387%	1,062
Debtors	56,077			9,588

Except as disclosed later at Note 29 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 £9.588m 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 Mar 13		31 Mar 14
£000		£000
6,346	Less than three months	6,875
524	Three to six months	333
312	Six months to one year	756
1,320	More than one year	1,808
8,502		9,772

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 2014 was £0.931m (£1.051m as at 31 March 2013).

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 Mar 13 £000		31 Mar 14 £000
17,036	Less than one year	32,030
27,279	Between one and two years	22,286
81,495	Between two and seven years	71,529
62,882	Between seven and fifteen years	50,824
304,507	More than fifteen years	304,245
493,199		480,914

The maturity analysis of financial assets is as follows:

31 Mar 13 £000		31 Mar 14 £000
14,405	Less than one year	19,749
120	Between one and two years	0
128	Between two and three years	0
531	More than three years	0
15,184		19,749

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £9.772m 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:

2012/13 as restated £000		2013/14 £000
250	Impact on Surplus or Deficit on the Provision of Services	241
0	Increase in Government grant receivable for financing costs	0
122	Share of overall impact debited to the HRA	117
0	Decrease in the fair value of fixed rate investment assets	0
0	Impact on Other Comprehensive Income and Expenditure	0
(72,750)	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)	(64,536)

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 27 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 26 Financial Instruments – Gains/Losses

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2014 are as follows:

2012/13		Financial Liabilities	Financial Assets			2013/14
Total		Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through the CIES	Total
£000		£000	£000	£000	£000	£000
22,845	Interest expense	22,848	0	0	0	22,848
(76)	Impairment (gain)	0	(184)	0	0	(184)
0	Premium/discounts	0	0	0	0	0
11,768	Finance Lease Interest	11,625	0	0	0	11,625
34,537	Interest payable and similar Charges	34,473	(184)	0	0	34,289
(595)	Interest income	0	(595)	0	0	(595)
33,942	Net gain (-) / loss (+) for the year	34,473	(779)	0	0	33,694

Note 27 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 Mar 13			31 Mar 14	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Long and Short-term		
298,125	366,372	PWLB debt	285,840	331,253
195,074	209,228	Non-PWLB debt	195,074	196,096
0	0	Temporary	0	0
493,199	575,600	Total Debt	480,914	527,349
67,010	67,010	Trade Creditors	62,912	62,912
560,209	642,610	Total Financial Liabilities	543,826	590,261
14,405	14,405	Money Market loans less than one year	19,749	19,749
779	779	Money Market loans more than one year	0	0
0	0	Bonds	0	0
192	192	Equity	192	192
10,436	10,436	Long-term Debtors	10,528	10,528
8,502	8,502	Sundry Debtors	9,772	9,772
5,309	5,309	Council Tax	6,213	6,213
0	0	NNDR	1,263	1,263
43	43	Community Charge	43	43
3,102	3,102	Housing Benefits	3,231	3,231
4,473	4,473	Housing Rents	5,314	5,314
		Other Short-Term :		
21,222	21,222	Debtors	19,713	19,713
(7,944)	(7,944)	Bad Debts Provision	(9,588)	(9,588)
60,519	60,519	Total Loans and Receivables	66,430	66,430

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 28 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 2014 a £0.003m 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 2014 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 29 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%	0.098	0.006
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	0	0

All monies within these institutions have been subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority have in the main been determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution.

Heritable Bank

The latest indications are that the return to creditors is projected to be above 99p in the £ and the authority has therefore decided to make an impairment based on it recovering 99.67p in the £.

To the end of 2013/14 interim dividends amounting to 94.22p in the £ had been paid.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity.

During 2013/14 the Council approved the sale through competitive auction of its claim for the recovery monies invested in Landsbanki Islands hf. Recovery of £1.904m was achieved equivalent to 97.64p in the £

Recognition in the CIES

The total impairment recognised in the Comprehensive Income and Expenditure Statement amounting to £0.006m 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 2012/13 £	Received 2012/13 £	Credited 2013/14 £	Received 2013/14 £
Heritable	12,779	357	2,259	638
Landsbanki	68,066	21,531	43,105	52,526

Note 30 Long-Term Investments

2012/13 £000		2013/14 £000
779	Icelandic investments	0
	Investments in Associates and Joint Ventures:	
2	Investment in RBT (Connect) Ltd	2
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
971	Balance at 31 March	192

Note 31 Inventories

As restated 2012/13 £000		2013/14 £000
566	Balance at 1 April	518
6,090	Purchases	6,893
(6,117)	Recognised in year as an expense	(6,590)
(21)	Written on / (off) in year	(27)
518	Balance at 31 March	794

Note 32 Construction contracts

The Council has not recognised any significant contract revenue in respect of construction contracts with third parties during the year, and there are no significant construction contracts in progress at 31 March 2014 (Nil 2012/13).

Note 33 Debtors

	Short Term		Long Term	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Central Government Bodies	10,168	8,586	0	0
Other Local Authorities	3,403	684	0	0
NHS Bodies	1,547	3,143	0	0
Public corporations and trading funds	272	26	0	0
Other Entities and Individuals	19,327	23,680	10,426	10,370
Total	34,717	36,119	10,426	10,370

Note 34 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 Mar 13 £000		31 Mar 14 £000
21,920	Cash and Bank balances	26,344
(25,418)	Bank Overdraft	(38,497)
(3,498)	Total Cash and Cash Equivalents	(12,153)

Note 35 Creditors

	Short Term		Long Term	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Central Government Bodies	(6,747)	(10,855)	0	0
Other Local Authorities	(3,871)	(3,254)	0	0
NHS Bodies	(1,377)	(2,554)	0	0
Public corporations and trading funds	(256)	0	0	0
Other Entities and Individuals	(54,034)	(43,198)	(725)	(3,051)
Total	(66,285)	(59,861)	(725)	(3,051)

Note 36 Provisions

Current Year	Balance as at 01 Apr 13 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 14 £000
Insurance Claims	(5,594)	(3,706)	3,936	0	(5,364)
Compensation Payments	(25)	(30)	0	0	(55)
Carbon Reduction Commitment	(417)	(431)	385	32	(431)
Severance Costs	(70)	(288)	70	0	(288)
Business Rates Appeals	0	(3,416)	0	0	(3,416)
Vehicle Repairs Costs	0	(50)	0	0	(50)
Other	(8,157)	(199)	592	331	(7,433)
Total	(14,263)	(8,120)	4,983	363	(17,037)
Current Provisions	(8,646)	(4,414)	1,047	363	(11,650)
Long Term Provisions	(5,617)	(3,706)	3,936	0	(5,387)
Total	(14,263)	(8,120)	4,983	363	(17,037)

Comparative Year	Balance as at 1 Apr 12 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 13 £000
Insurance Claims	(4,969)	(4,553)	3,449	479	(5,594)
Compensation Payments	(25)	0	0	0	(25)
Carbon Reduction Commitment	(393)	(417)	348	45	(417)
Business Rates Appeals	0	0	0	0	0
Severance Costs	(893)	(70)	893	0	(70)
Vehicle Repairs Costs	0	0	0	0	0
Other	(11,206)	(1,687)	1,236	3,500	(8,157)
Total	(17,486)	(6,727)	5,926	4,024	(14,263)
Current Provisions	(7,694)	(2,174)	2,477	(1,255)	(8,646)
Long Term Provisions	(9,792)	(4,553)	3,449	5,279	(5,617)
Total	(17,486)	(6,727)	5,926	4,024	(14,263)

Insurance claims

The overall Insurance Fund balance shown in the accounts is net of amounts (2013/14 Nil, 2012/13 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 2013, with new policies commencing 28 February 2013. The liability risk is insured by QBE (via RMP) whilst the property risk is insured by Zurich Municipal. The contracts are for three years with a two year optional extension.

Engineering Inspection and Small Craft insurance remains with Zurich Municipal.

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

The initial levy payable in respect of MMI has now been paid, as has Rotherham's share of the South Yorkshire County Council levy. Provision also remains within the fund in respect of remaining MMI liabilities.

(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 £350,000 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.

(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 historical live cases still outstanding at the end of March 2014.

Severance Costs

A provision has been made for the estimated severance costs associated with reductions in staff numbers arising from the restructuring of services for which detailed formal plans were in place at 31 March 2014. Expectations are that the plans will be implemented and that significant changes to the plans are unlikely and the costs of which had been identified. The expectation is these costs will be settled in 2014/15.

Rating appeals

Under the business rates retention regulations which came into effect on 1 April 2013, an allowance is made for the amount of business rate income it is estimated will have to be refunded to business ratepayers as a result of appeal. The provision represents the Council's share of the overall estimated liability for refunding business ratepayers income recognised up to and including the end of the financial year. The government has directed the Valuation Office to clear the backlog of outstanding appeals by July 2015. Accordingly, we anticipate the majority of refunds to be made during 2014/15 and the provision has therefore been classified as a current provision.

Vehicle Repairs Costs

A provision has been made for the estimated cost of repairs which are likely at the end of lease return arrangement for the waste fleet, to ensure vehicles meet the required condition.

Other

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

Note 37 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 13 and Notes 1 and 2.

31 Mar 13 £000		31 Mar 14 £000
	CAPITAL RESERVES	
(14,888)	Capital Receipts Reserve	(18,316)
(2,877)	Major Repairs Reserve	(5,224)
(21,884)	Capital Grants Unapplied Account	(20,135)
	REVENUE RESERVES	
(7,975)	General Fund - Schools	(6,305)
(10,180)	General Fund - Non Schools	(11,221)
(30,221)	Earmarked Reserves	(33,436)
(15,129)	HRA	(16,697)
(1,840)	Earmarked HRA Reserves	(3,186)
(104,994)	TOTAL USABLE RESERVES	(114,520)

(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 main credit to the account comprises the total depreciation charge for all HRA assets. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that 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 38 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 Mar 13 £000		31 Mar 14 £000
	CAPITAL RESERVES	
(345,774)	Capital Adjustment Account	(320,262)
(91,620)	Revaluation Reserve	(99,371)
(108)	Deferred Capital Receipts	(104)
	REVENUE RESERVES	
372,469	Pensions Reserve	264,228
6,890	Short term accumulating absences account	5,209
(31)	Financial instruments adjustment account	(71)
(3,299)	Collection Fund adjustment account	(298)
(61,474)	TOTAL UNUSABLE RESERVES	(150,669)

(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.

2012/13 £000		2013/14 £000
(368,598)	Balance 1 April	(345,775)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
135	Amortisation of Intangible Assets	239
68,097	Charges for depreciation and impairment of non-current assets	42,013
(523)	Revenue expenditure funded from capital under statute	3,764
11,382	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	48,933
12,702	Depreciation - Major Repairs Reserve	13,395
(973)	Write down of Met Debt deferred Liability	(1,070)
	Adjusting amounts written out to Revaluation Reserve:	
(4,750)	Disposal	(2,995)
(1,463)	Excess of current cost depreciation over historic cost depreciation	(1,773)
	Capital Financing Applied in the year:	
(940)	Use of Capital Receipts Reserve to finance capital expenditure	(2,332)
(18,595)	Use of Major Repairs Reserve to finance capital expenditure	(16,942)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(28,774)	Application of grants to capital financing from the Capital Grants Unapplied Account	(35,426)
(11,819)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,533)
(1,656)	Capital expenditure charged against the General Fund and HRA balances	(9,760)
(345,775)	TOTAL	(320,262)

(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.

2012/13 £000		2013/14 £000
(84,945)	Balance 1 April	(91,621)
(12,889)	Net revaluation gains/losses not charged to the Surplus /(Deficit) on Provision of Services	(15,702)
0	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	3,184
(12,889)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(12,518)
4,750	Accumulated Gains on assets sold or scrapped	2,995
1,463	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	1,773
(91,621)	Balance at 31 March	(99,371)

(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.

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2012/13 £000		2013/14 £000
(123)	Balance 1 April	(108)
15	Transfer to the Capital Receipts Reserve of cash received	4
(108)	Balance at 31 March	(104)

(d) Movements in Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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 2014 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 18.

2012/13 £000		2013/14 £000
290,735	Balance 1 April	372,469
73,388	Remeasurements of the net defined benefit liability/(asset)	(116,095)
33,588	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	32,183
(25,242)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,329)
372,469	Balance 31 March	264,228

(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.

2012/13			2013/14	
£000	£000		£000	£000
	7,135	Balance 1 April		6,890
(7,135)		Settlement or cancellation of accrual made at the end of the preceding year	(6,890)	
6,890		Amounts accrued at the end of the current year	5,209	
	(245)	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		(1,681)
	6,890	Balance at 31 March		5,209

(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.

2012/13		2013/14
£000		£000
14	Balance at 1 April	(31)
	Movement in year:	
(47)	Premium and discounts	(41)
2	Soft Loans	1
(31)	Balance carried forward at 31 March	(71)

(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.

2012/13 NNDR £000	2012/13 CTAX £000	2012/13 Total £000		2013/14 NNDR £000	2013/14 CTAX £000	2013/14 Total £000
0	(3,015)	(3,015)	Balance 1 April	0	(3,300)	(3,300)
0	(285)	(285)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	3788	(786)	3,002
0	(3,300)	(3,300)	Balance at 31 March	3,788	(4,086)	(298)

Note 39 Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Service

2012/13 As restated £000		2013/14 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
30,579	Capital Grants credited to surplus or deficit on the provison of services	33,676
11,769	Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,425
42,348		41,101
(565)	Interest received	(595)
34,363	Interest paid	34,302

Note 40 Cash Flow – from Investing Activities

2012/13 As restated £000		2013/14 £000
53,843	Purchase of property, plant and equipment, investment property and intangible assets	68,376
4,227	Long term loans granted	206
13,557	Purchase of short term investments	4,336
(11,769)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,429)
(31,826)	Capital Grants and Contributions Received	(32,631)
0	Other receipts from investing activities	(278)
28,032	Net cash outflow from Investing Activities	32,580

Note 41 Cash Flow – from Financing Activities

2012/13 As restated £000		2013/14 £000
(223,085)	Cash receipts of short- and long-term borrowing	(719)
2,004	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,934
229,288	Repayments of short- and long-term borrowing	12,992
11,794	Other payments for financing activities	155
20,001	Net cash (inflow) / outflow from Financing Activities	14,362

Note 42 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.

2012/13 as restated £000		2013/14 £000
758,763	Opening Capital Financing Requirement Capital Investment	755,036
53,557	Property, Plant and Equipment	66,941
0	Property, Plant and Equipment – Increase in finance lease Liability	165
149	Investment Properties	6
0	Assets Held for Sale	0
0	Adjustment for Prior Year Abortive Costs	(1,095)
510	Intangible Assets	710
2	Heritage Asset	0
4,227	Long Term Debtors (Capital Expenditure Loans)	206
(523)	Revenue Expenditure funded from Capital under Statute	3,741
816,685		825,710
	Sources of finance:	
(940)	Capital receipts	(2,332)
(28,774)	Government grants and other contributions	(35,426)
(18,595)	Major Repairs Allowance	(16,942)
	Sums set aside from revenue	
	Direct revenue contributions:	
(698)	General Fund	(1,323)
(958)	Housing Revenue Account	(8,437)
(9,680)	Minimum Revenue Provision	(9,865)
(2,004)	Write down of finance lease liability	(1,935)
(61,649)		(76,260)
755,036	Closing Capital Finance Requirement	749,450

2012/13 £000	Explanation of movements in year	2013/14 £000
213	Increase in underlying need to borrowing (supported by government financial assistance)	186
(3,939)	Increase in underlying need to borrowing (unsupported by government financial assistance)	(5,937)
0	Assets acquired under finance leases	165
0	Assets acquired under PFI/PPP contracts	0
(3,726)	Increase/(decrease) in Capital Financing Requirement	(5,586)

Note 43 Leases

The classification of all types of lease including land is assessed on who has the risks and rewards of ownership as for all other types of lease.

Contingent rents are expensed in the year in which they are incurred.

(a) Finance leases – Council as Lessee

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

	31 Mar 13 £000	31 Mar 14 £000
Finance Lease Liability outstanding at start of year	(29,218)	(29,057)
Principal repaid in year	161	176
New Liabilities arising in year	0	(165)
Balance outstanding at year end	(29,057)	(29,046)
Short Term Creditors	(176)	(224)
Long Term Liabilities	(28,881)	(28,822)

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 13 £000	31 Mar 14 £000	31 Mar 13 £000	31 Mar 14 £000
Not later than one year	(2,862)	(2,896)	(176)	(224)
Later than one year and not later than five years	(11,893)	(12,325)	(742)	(875)
Later than five years	(126,810)	(123,654)	(28,139)	(27,947)

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

2012/13 £000		2013/14 £000
28,946	Land and buildings	29,171
195	Vehicles, Plant, Furniture and Equipment	308
29,141	Total	29,479

(b) Operating leases – Council as Lessee

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:

As Restated 2012/13 £000		2013/14 £000
3,352	Within one year	2,100
3,634	Between one year and five years	2,798
5,749	After more than five years	5,689

The expenditure charged to service in 2013/14 in the Comprehensive Income and Expenditure statement in relation to these leases was £3.328m (£3.382m 2012/13).

(c) Finance leases – Council as Lessor

The Council has leased out property to Thurcroft Junior School and land on which the Council's former Civic buildings were situated. The former is being leased out on a peppercorn rent. The minimum leased payments in respect of the latter were received in full as a premia. As a consequence, there is no net investment in finance lease receivable to bring onto the balance sheet.

(d) Operating leases – Council as Lessor

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 20.

Note 44 Private Finance Initiative and Similar Contracts

As at 31 March 2014 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.

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 19a).

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, with the exception of 5 PFI schools, 2 primary and 3 secondary schools which have converted to academy trusts during 2013/14 and therefore transfer to the individual trusts under 125 lease arrangements with the Council. 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 £14.893m 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 £4.394m. 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.

(d) 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.

(e) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2013/14:

	31 Mar 13 £000	31 Mar 14 £000
Balance outstanding at start of year	(102,124)	(100,282)
Principal repaid in year	1,842	1,758
Finance Lease Liability written off	0	0
Balance outstanding at year end	(100,282)	(98,524)
Short Term Creditors	(1,758)	(1,596)
Long Term Liabilities	(98,524)	(96,928)

The minimum lease payments will be payable over the following periods:

	Payment for Services £000	Finance Lease Liability £000	Interest £000	Total £000
Not later than one year	9,536	1,596	8,782	19,914
Two to five years	40,163	8,113	34,647	82,923
Six to ten years	56,325	15,212	40,426	111,963
Eleven to Fifteen years	65,521	22,063	35,316	122,900
Sixteen to twenty years	69,718	36,038	29,876	135,632
Twenty one to twenty five years	34,721	8,022	11,300	54,043
Twenty six to thirty years	28,051	7,480	7,119	42,650

Note 45 Capitalised borrowing costs

The Council capitalised £13,349 of borrowing costs during 2013/14 (£12,000 in 2012/13) the capitalisation rate used was 4.67% (4.68% in 2012/13).

Note 46 Contingent Liabilities

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.

Child Sexual Exploitation

The Council has received a number of claims in relation to child sexual exploitation. These are currently being investigated in the light of the findings in the recently published independent Inquiry. At this stage it is not possible to quantify reliably the potential financial effect or when any liabilities might arise.

Note 47 Contingent Assets

Claims for recovery of tax

Protective VAT claims have been submitted to HMRC to recover VAT on Trade Waste, Disabled Facilities Grants, Sports and Off Street Car Parking as well as Landfill Tax and Compound Interest. The quantity and strength of the claims have yet to be determined.

Note 48 Trust Funds

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

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

	Balance as at 01 Apr 13 £	Income £	Expenditure £	Balance as at 31 Mar 14 £
Treeton Council School War Memorial	630	30	0.0	660
EJ Butland, Treeton Infants	537	30	0.0	567
Whiston Two Wars Memorial	265	119	0.0	384
Total	1,432	179	0	1,611

Trust Funds – Balance Sheet

2012/13 £		2013/14 £
	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
31	- Debtors	51
1,401	- Cash	1,560
1,782	Total Assets	1,961
	Financed by:	
350	- Fund Balance	350
1,432	- Accumulated Investment Interest	1,611
1,782	Total Equity	1,961

The investments referred to above relate to War Loan Stock.

Note 49 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 2013/14 there are no such items.

In 2012/13, there are no such items.

Note 50 Other Long-term Liabilities

31 Mar 13 £000		31 Mar 14 £000	Notes
(98,524)	PFI Liability	(96,928)	44
(28,881)	Finance Lease Liability	(28,822)	43
(372,469)	Pension Liability	(264,228)	18
(11,168)	Deferred Liabilities	(9,991)	50
(511,042)	Total	(399,968)	

Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 101 of this Statement refers). As at 31 March 2014 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £11,167,994 comprising £1,177,165 maturing within one year and £9,990,829 after that date.

Note 51 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Financial Services on 30 June 2014. 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 2014, 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.

2012/13 £000		2013/14 £000	Notes
	Expenditure		
15,227	Repairs and maintenance	17,130	
15,081	Supervision and management	16,276	
3	Rents, rates, taxes and other charges	210	
32,999	Depreciation and impairment of Non Current Assets	31,320	
206	Debt management costs	212	
830	Provision for bad or doubtful debts	839	10
64,346	Total Expenditure	65,987	
	Income		
69,807	Dwelling rents	74,612	
769	Non-dwelling rents	740	
4,345	Charges for services and facilities	4,893	
157	HRA subsidy receivable	0	
75,078	Total Income	80,245	
(10,732)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(14,258)	
270	HRA services share of Corporate and Democratic Core	265	
834	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	202	
(9,628)	Net Cost of HRA Services	(13,791)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(612)	Gain on sale of HRA Non Current Assets	(1,015)	
14,361	Interest Payable and similar charges	14,312	11
(55)	Interest receivable	(71)	
419	Pensions interest cost and expected return on pension assets	579	12
(119)	Capital grants and contributions receivable	(474)	
4,366	(Surplus) / Deficit for the year on HRA services	(460)	

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.

	2012/13			2013/14
£000	£000		£000	£000
	(8,327)	Balance on the HRA at the end of the previous year		(15,128)
4,366		(Surplus) / Deficit for the year on HRA Income and Expenditure Account	(460)	
(12,291)		Adjustments between accounting basis and funding basis under statute	(2,455)	
(7,925)		Net increase before transfers to or from reserves	(2,915)	
1,124		Transfers to reserves	1,346	
	(6,801)	Increase in year on the HRA		(1,569)
	(15,128)	Balance on the HRA at the end of the current year		(16,697)

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.

2012/13	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 (Council dwellings only)	19,703	0	19,703
Capital grants and contributions applied	(119)	0	(119)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(612)	0	(612)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(958)	0	(958)
Adjustments primarily involving the Major Repairs Reserve:			
Reversal of Major Repairs Allowance credited to the HRA	(6,114)	6,114	0
HRA Depreciation to the Capital Adjustment Account	0	12,702	12,702
Use of the Major Repairs Reserve to finance new capital expenditure	0	(18,595)	(18,595)
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	6	0	6
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,482	0	1,482
Employer's pension contributions and direct payments to pensioners payable in the year	(1,113)	0	(1,113)
Short-term Accumulated Absences Account	16	0	16
Total Adjustments	12,291	221	12,512

2013/14	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 (Council dwellings only)	17,981	0	17,981
Capital grants and contributions applied	(474)	0	(474)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,015)	0	(1,015)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(8,437)	0	(8,437)
Adjustments primarily involving the Major Repairs Reserve:			
Transfer from HRA to Major Repairs Reserve re notional MRA	(5,894)	5,894	0
HRA Depreciation to the Capital Adjustment Account	0	13,395	13,395
Use of the Major Repairs Reserve to finance new capital expenditure	0	(16,942)	(16,942)
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	6	0	6
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,221	0	1,221
Employer's pension contributions and direct payments to pensioners payable in the year	(922)	0	(922)
Short-term Accumulated Absences Account	(11)	0	(11)
Total Adjustments	2,455	2,347	4,802

Note 2 Transfers to or from Earmarked Reserves

2012/13	Balance as at 1 Apr 12 £000	Transfers in and Contributions to Reserves £000	Transfers out and Contributions from Reserves £000	Balance as at 31 Mar 13 £000
Furnished Homes	716	1,124	0	1,840
Total	716	1124	0	1840

2013/14	Balance as at 1 Apr 13 £000	Transfers in and Contributions to Reserves £000	Transfers out and Contributions from Reserves £000	Balance as at 31 Mar 14 £000
Furnished Homes	1840	1,346	0	3186
Total	1840	1346	0	3186

The furnished homes service represents the provision of housing on which an additional charge for services and facilities is payable because the council house is furnished. The reserve represents the cumulative surplus made by the service to date and is available to support the existing scheme and any future expansion of the service.

Note 3 Housing Stock at 31 March 2014

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,207	2,782	4,993
2 Bedroom	1970	2,826	1,915	6,711
3 Bedroom	8535	307	44	8,886
4+ Bedroom	266	9	1	276
Total	10,775	5,349	4,742	20,866

Note 4 Housing Stock Valuations

(a) Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 12	533,900	7,802	0	0	4,197	545,899
Additions	18,975	309	475	1	50	19,810
Accumulated Depreciation and Impairment written out to gross cost/valuation	(23,513)	(737)	0	0	0	(24,250)
Revaluation increases/decreases to Revaluation Reserve	923	1,040	0	0	139	2,102
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,287)	(599)	0	0	1	(1,885)
Derecognition	(1,208)	(55)	0	0	(104)	(1,367)
Assets reclassified (to) / from Investment Property	0	18	0	0	0	18
Other Movements in cost valuation	179	364	0	0	(42)	501
At 31 Mar 13	527,969	8,142	475	1	4,241	540,828
Depreciation and Impairment						
At 1 Apr 12	(23,328)	(736)	0	0	0	(24,064)
Accumulated Depreciation written out to gross cost/valuation	12,218	501	0	0	0	12,719
Accumulated Impairment written out to gross cost/valuation - as restated	11,295	236	0	0	0	11,531
Depreciation Charge	(12,316)	(377)	0	0	(8)	(12,701)
Impairment losses/reversals to Revaluation Reserve	(430)	(306)	0	0	0	(736)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(18,416)	(4)	0	0	(50)	(18,470)
Derecognition - Disposals	58	4	0	0	0	62
Other movements in depreciation and impairment	(5)	6	0	0	2	3
At 31 Mar 13 as restated	(30,924)	(676)	0	0	(56)	(31,656)
Net Book Value						
At 31 Mar 13 as restated	497,045	7,466	475	1	4,185	509,172
At 31 Mar 12	510,572	7,066	0	0	4,197	521,835

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 13	527,969	8,142	475	1	4,241	540,828
Additions	25,742	798	0	52	0	26,592
Accumulated Depreciation and Impairment written out to gross cost/valuation	(31,335)	(678)	0	0	(56)	(32,069)
Revaluation increases/decreases to Revaluation Reserve	2,166	847	0	0	(122)	2,891
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	6,493	69	0	0	413	6,975
Derecognition - Disposals	(2,605)	0	0	0	(174)	(2,779)
Assets reclassified (to) / from Investment Property	0	0	0	0	0	0
Other Movements in cost valuation	47	(46)	0	(1)	0	0
At 31 Mar 14	528,477	9,132	475	52	4,302	542,438
Depreciation and Impairment						
At 1 Apr 13	(30,924)	(676)	0	0	(56)	(31,656)
Accumulated Depreciation written out to gross cost/valuation	12,530	368	0	0	6	12,904
Accumulated Impairment written out to gross cost/valuation	18,805	310	0	0	50	19,165
Depreciation Charge	(12,919)	(405)	(68)	0	(4)	(13,396)
Impairment losses/reversals to Revaluation Reserve	(577)	(782)	0	0	0	(1,359)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(24,474)	(16)	0	0	0	(24,490)
Derecognition - Disposals	70	0	0	0	3	73
Other movements in depreciation and impairment	(1)	1	0	0	0	0
At 31 Mar 14	(37,490)	(1,200)	(68)	0	(1)	(38,759)
Net Book Value						
At 31 Mar 14	490,986	7,932	407	52	4,301	503,679
At 31 Mar 13	497,045	7,466	475	1	4,185	509,172

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 Apr 13	1,630

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.

2012/13 £000		2013/14 £000
2,656	Balance as at 1 April	2,877
12,702	Depreciation in the year	13,395
6,114	Transfer to MRR	5,894
(18,595)	Financing of Capital Expenditure	(16,942)
2,877	Balance as at 31 March	5,224

Note 6 Financing of Capital Expenditure

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

	2013/14 £000
Borrowing Need	0
Capital Receipts	691
Revenue Contributions	8,437
Government Grants / Other Capital Income	522
Major Repairs Reserve	16,942
Total	26,592

During the year total capital receipts of £3.854m were received by the HRA, of which £2.056m was available to support capital expenditure within the Council.

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 2013 excluding the value of land. Depreciation has been calculated using the ‘straight line’ method over 30 years.

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 2013 and has been calculated using the ‘straight line’ method over 15 years.

Note 8 Impairment

A net impairment charge of £17.516m has been included in the HRA Income and Expenditure Account (£20.355m in 2012/13). This charge is reflected in the HRA Income and Expenditure Account in arriving at the deficit on the provision of HRA Services but the Council has taken advantage of transitional protection arrangements following the introduction of self – financing which allows the impairment relating to dwellings to be reversed out in determining the movement on the HRA Balance. Under Self-Financing legislation the impairment charges on non-dwellings cannot be reversed out and are a real charge to the HRA.

Note 9 HRA Subsidy

2012/13 £000	Notional HRA for Subsidy Calculation	2013/14 £000
0	Management and Maintenance	0
0	Major Repairs Allowance	0
0	Charges for Capital	0
0	Interest on Receipts	0
0	Guideline Rent Income	0
0		0
157	Prior year adjustment	0
157	Notional (Surplus) / Deficit (to be paid to Government) / claimed from Government	0

From April 2012 the government abolished the HRA subsidy system and no payments are due in 2013/14. The amount shown above for 2012/13 was the balance to be retained by the Council relating to the final HRA subsidy claim for 2011/12.

Note 10 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2012/13 £000	Rent Arrears	2013/14 £000
1,698	Current Tenants	1,985
2,776	Former Tenants	3,329
4,474	As at 31 March	5,314

As at 31 March 2014, the level of rent arrears for current tenants as a proportion of gross rent income was 2.41% (2012/13 2.22%).

2012/13 £000	Bad Debt Provision in respect of rent income	2013/14 £000
2,546	As at 1 April	2,864
480	Increase in Provision	595
(162)	Utilised in year	(88)
2,864	As at 31 March	3,371

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

2012/13 £000	Bad Debt Provision in respect of the rechargeable repairs	2013/14 £000
202	As at 1 April	494
350	Increase in Provision	244
(58)	Utilised in year	(155)
494	As at 31 March	583

Note 11 Interest Payable and Other Charges

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

Note 12 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an 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.

THE COLLECTION FUND

By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates (NNDR), 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 2014

2012/13				2013/14			
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	Note
114,020		114,020	Council Tax Receivable	96,593		96,593	
	71,672	71,672	National Non-Domestic Rates (excluding write-offs)		73,172	73,172	2
	0	0	NNDR Transitional Payments		(672)	(672)	
114,020	**71,672**	**185,692**	**Total Income**	**96,593**	**72,500**	**169,093**	
			Precepts:				
95,613		95,613	Rotherham Metropolitan Borough Council	80,408	35,368	115,776	
0	70,449	70,449	Central Government	0	36,089	36,089	
10,440		10,440	- South Yorkshire Police and Crime Commissioner	9,071		9,071	
4,747		4,747	South Yorkshire Fire & Civil Defence	4,058	722	4,780	
110,800	70,449	181,249		93,537	72,179	165,716	
			Distribution of previous years surplus - Council Tax:				
2,298	0	2,298	Rotherham Metropolitan Borough Council	1,413	0	1,413	
0	0	0	Central Government	0	0	0	
221	0	221	- South Yorkshire Police and Crime Commissioner	206	0	206	
100	0	100	South Yorkshire Fire & Civil Defence Authority	94	0	94	
2,619	0	2,619		1,713	0	1,713	
			Charges to Collection Fund:				
154	701	855	Write off of uncollectable amounts	224	474	698	
307	213	520	Increase in bad debt provision	274	271	545	
0	0	0	Increase in provision for appeals	0	6,970	6,970	
0	309	309	Cost of Collection	0	310	310	
0	0	0	Disregarded amounts	0	116	116	
461	1,223	1,684		498	8,141	8,639	
113,880	**71,672**	**185,552**	**Total amounts charged to the Collection Fund**	**95,748**	**80,320**	**176,068**	
140	0	140	Surplus / (Deficit) arising during the year	845	(7,820)	(6,975)	
			Collection Fund Balance				
140	0	140	Surplus / (Deficit) arising during the year	845	(7,820)	(6,975)	
3,476	0	3,476	Surplus brought forward	3,616	0	3,616	
3,616	0	3,616	Surplus / (Deficit) carried forward	4,461	(7,820)	(3,359)	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 2013/14 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	24,110	6/9	23,387
B	13,406	7/9	13,004
C	10,878	8/9	10,552
D	7,363	9/9	7,142
E	4,739	11/09	4,597
F	2,122	13/09	2,058
G	947	15/09	918
H	66	18/09	64
	63,631		61,722

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

Business Rates are levied on non-domestic premises at a rate in the pound determined by Central Government which is applied nationally (the national multiplier). The national multiplier in 2013/14 was 47.1 pence in the pound and a small business rating multiplier of 46.2 pence in the pound (45.8 pence and 45 pence respectively in 2012/13).

The NNDR income in 2013/14 after allowing for mandatory and discretionary reliefs of £73.172m (2012/13 £71.672m) was based on a total rateable value of £185.6m as at 31 March 2014 (£186.1m as at 31 March 2013).

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.

Note 5 Collection Fund Balance

The balance on the Collection Fund at 31 March 2014 is a deficit of £3.359m and consists of a £7.820m deficit relating to business rates to be recovered from the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a (£4.461m) surplus in relation to Council Tax to be distributed to the billing Authority (Rotherham MBC), South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Civil Defence Authority as follows:

2012/13 Council Tax £000	2012/13 NNDR £000	2012/13 Total £000		2013/14 Council Tax	2013/14 NNDR	2013/14 Total £000
3,300	0	3,300	Billing Authority – Rotherham MBC	4,086	(3,832)	254
0	0	0	Central Government	0	(3,910)	(3,910)
			Major Precepting Authorities:			
217	0	217	- South Yorkshire Police and Crime Commissioner	259	0	259
99	0	99	- South Yorkshire Fire and Civil Defence Authority	116	(78)	38
3,616	0	3,616	Total	4,461	(7,820)	(3,359)

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 (see Note 4).

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.

2012/13 £000	Capital Account	2013/14 £000
(17,041)	Cash at bank 1 April	(23,069)
(109)	Transfer (from) Financial Instruments Adjustments Account	(58)
18	Adjustment to loans outstanding for interest accruals	0
291	Add: Expenditure in the year – Loans repaid	0
(16,841)		(23,127)
	Less Income:	
0	Loans raised	0
6,228	Repayments by Relevant Authorities	6,531
(23,069)	Cash at bank 31 March	(29,658)

2012/13 £000	Revenue Account	2013/14 £000
5,689	Interest Paid on Outstanding Loans	5,692
123	Management and other expenses	73
5,812		5,765
	Less Income:	
98	Notional Interest	121
5,714		5,644
5,714	Recharge to Relevant Authorities	5,644
0		0

2012/13 £000	Balance Sheet as at 31 March	2013/14 £000
	Capital Liabilities	
97,956	Loans Outstanding	97,956
(23,069)	Cash at bank	(29,658)
74,887		68,298
	Capital Assets	
74,688	Advances Outstanding	68,157
	Reserves	
199	Financial Instruments Adjustments Account (FIAA)	141
74,887		68,298

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 Mar 13	31 Mar 14	31 Mar 13	31 Mar 14
	£000	£000	£000	£000
Financial liabilities (principal amount) - PWLB	96,121	96,121	0	0
Financial liabilities at amortised cost - PWLB	96,121	96,121	1,835	1,835
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 Mar 13		31 Mar 14
£000		£000
1,835	Less than one year	1,835
0	Between one and two years	9,412
76,432	Between two and seven years	86,709
19,689	Between seven and nine years	0
97,956		97,956

Note 3 Financial Instruments – Fair Values

The fair values of the financial instruments are as follows:

31 Mar 13			31 Mar 14	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
97,956	121,312	Financial Liabilities – Debt	97,956	113,043
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.

2012/13 £000		2013/14 £000
308	Balance at 1 April	199
	Movement in year	
(109)	Premium and discounts	(58)
199	Balance carried forward at 31 March	141

Note 5 Authorised Limit and Operational Boundary

The Council's operational boundary for external debt for the year was £96.121m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £96.121m.

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 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 ("the Code") and the Service Reporting Code of Practice 2013/14 (SeRCOP), 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. The Framework requires that in presenting information in its financial statements regard is had to:

The objective of financial statements which is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources

The underlying assumptions that financial performance is reported on an accruals basis and the financial statements are prepared on a going concern basis

The qualitative characteristics of useful information are observed by ensuring that it is relevant, material, and faithfully represented (ie is complete, unbiased and properly determined in accordance with the Code, SeRCOP, the Council's accounting policies and by using appropriate estimation techniques)

In addition to being relevant, material and faithfully represented, the quality of information has been enhanced wherever possible by making it:

- Comparable with previous periods and with other authorities accounts;
- Verifiable;
- Timely; and
- Understandable to stakeholders and other users of the accounts having a reasonable knowledge of the business and economic activities of the Council.

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 unless the Code specifies that the change should be applied prospectively.

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 Code has adopted the following accounting standards in 2013/14:

- Amendments to IAS 19 Employee benefits
- Amendments to IAS 1 Presentation of Financial Statements
- Offsetting financial assets and liabilities under IFRS 7
- Deferred taxation on an entities income under IAS 12 (only applicable where Group Accounts are prepared)

In addition, the Code has provided clarification on a number of existing accounting standards, including: the recognition and valuation of property, plant and equipment; recognition of PFI assets under construction; the classification of leases provided for a nominal or peppercorn rent, and: recognition of Assets Held for Sale.

None of the changes or clarifications has had a material impact on 2013/14 and there has been no need to adjust the comparatives reported in the previous period.

New standards that have come into effect on or before 1 January 2014 which are to be adopted in the 2014/15 version of the Code and will therefore apply to the 2014/15 financial year, together with an estimate of the financial effect of their adoption, if known, are disclosed in Note B on Page 122.

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.
- 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 2013/14 (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, and

- Non Distributed Costs – the pension cost of past service and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

Corporate and Democratic Core and Non Distributed costs 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 Debtors

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 Creditors

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 Tax Income (Council Tax, Residual Community Charge, National Non-Domestic Rates and Rates)

Council Tax

Council tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. . The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors.

Residual Community Charge

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 Inventories

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 identify 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.

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 and creation of or which add to 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 now notional Major

Repairs Allowance (MRA) if notional 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.

Following the introduction of self-financing, with effect from 2012/13, depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council has taken advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance included within the HRA Business Plan for that year.

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 over the specified period(s) set down within the regulations using either the annuity method or equal instalments according to which is most appropriate.

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.

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.

(a) Finance Leases – Council as Lessee

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 – Council as Lessee

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.

(a) Finance Leases – Council as Lessor

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 – Council as Lessor

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 under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to the Council at that time, similar to an asset that an authority constructs or develops for its own 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 within the PFI operator's financial model. The refurbishment or replacement of major components 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 assets whose principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations because of their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, for example, insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years). .

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.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

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 at the earlier of when the Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring. .

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 in accordance with statutory provisions which require that the General Fund 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.

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 based on the indicative rate of return on high quality corporate 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 the following 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 as a result of a scheme amendment or curtailment 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

- net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- remeasurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure

- 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 Director of Financial Services 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.

29 Acquisitions and discontinued operations

Transfers of operations to or from other public sector bodies are accounted for in accordance with the Code's requirements relating to public sector combinations by transferring assets and liabilities to / from the Council at their carrying value and by disclosing the effect in the Comprehensive Income and Expenditure Statement of services transferred to/from the Council from/to another public sector body.

In 2013/14, responsibility for public health functions was transferred from the NHS to the Council with effect from 1 April 2013. Accordingly, the income and expenditure relating to this function is separately disclosed in the Comprehensive Income and Expenditure statement. No assets or liabilities of significance were transferred.

During 2013/14, a number of local authority maintained schools converted to academies. School balances have been transferred from the Council at their carrying amount at the date of conversion, the aggregate effect being disclosed in the Movement in Reserves Statement.

B) Accounting Standards issued but not yet adopted

Amendments have been made to a number of accounting standards which have not been adopted by the Code until 2014/15. A brief description of the accounting changes and their estimated financial effect is provided below.

Group accounts

A number of accounting standards have been amended which relate to group accounts:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

The changes set out new criteria for assessing whether an entity is controlled by another and how the transfer of operations to / from other public sector bodies should be accounted for. They also require additional disclosure, where necessary, to enable users to better understand the risks of any interest the Council might have in another entity and their financial effect. It is not possible to say at this stage whether the changes will lead to the Council having to prepare group accounts or the extent of additional disclosure which will be required. An early evaluation of the implications for the 2014/15 accounts will be carried out once detailed guidance has been issued by CIPFA

Accounting for local authority schools

Following further consultation, CIPFA / LASAAC have reached a conclusion on the principles to be applied in accounting for local authority maintained schools having regard to the changes to accounting standards relating to group accounts described above. The conclusion reached is that , whilst local authority maintained schools are capable of being treated as separate entities, as the balance of control rests with local authorities, the Council's accounts should continue to include the income, expenditure, assets, liabilities, reserves and cash flows of local authority maintained schools.

Further consideration will be needed of the treatment of land and buildings of certain types of local authority maintained schools, in particular, voluntary aided and voluntary controlled schools, to determine whether these should be included in the Council's balance sheet. Up to and including 2013/14, the Council has followed existing guidance and only recognised on the Council's balance sheet the playing fields and caretakers residence of voluntary aided or voluntary controlled schools where owned by the Council. Should there be clarification that the school buildings of these types of school should also be included in the Council's balance sheet, it is estimated that the aggregate value of the assets to be brought on balance sheet may be in the region of £30m.

IAS 32 Financial Instruments – Offsetting Financial assets and Financial Liabilities

Further clarification has been made on the principles to be applied to the new disclosure requirements included in the 2013/14 Code for offsetting financial assets and financial liabilities. This is not expected to have any impact on presentation in the 2014/15 accounts.

Changes to accounting policies in subsequent years

The adoption of IFRS 13 Fair Value Measurement has been deferred to the 2015/16 Code. The 2013/14 financial statements do not therefore include the measurement and disclosure requirements of this standard.

Adoption on the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended 2013, has been deferred to the 2016/17 Code. This will require highways assets to be restated from an historic cost basis to current cost using depreciated replacement cost. This is likely to have a material effect on the carrying value of highways assets and involve restatement of figures reported on an historic cost basis in 2015/16.

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:

- MMI - The finding of the Supreme Court judgement on 28 March 2012 in favour of the appellants against MMI has led to the appointment of an Administrator and the Scheme of Arrangement being invoked. The Council and other participating local authorities are therefore being required to make levy payments to MMI in order that the company can settle its liabilities. The Council made an initial levy payment in January 2014. A provision has been retained in 2013/14 to cover further levy payments representing the best estimate of what the likely liability might be.

- Business rates appeals – The introduction of the business rates retention scheme with effect from 1 April 2013, means that the Council shares in the risks and rewards of growth or decline in business rates income with central government and the fire authority. As a consequence the Council recognises on its balance sheet its proportion of business rates assets and liabilities including its share of refunds to business ratepayers as a result of appeal. There was insufficient information available to recognise the Council's share of the provision for refunds as at 1 April 2013. The Valuation Office has since provided statistics on appeals lodged and settled since the April 2010 rating valuation. This has been used to arrive at the best estimate of the likely level of business rate income collectable up to and including 2013/14 which may have to be refunded as a result of appeal. The Council's share of £3.4m is shown as a provision in Note 36.

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 2014 is an estimated pensions liability of £264m. 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 the rate of inflation. . Changes to these assumptions can have a material effect as illustrated by the fact the Council's estimated liability decreased by £108m in 2013/14 as a result of changes to assumptions used to discount pension liabilities into present value terms and other key assumptions (see note 18). 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

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.

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.

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 control.

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.

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.

INVENTORIES

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.

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.

NET INTEREST EXPENSE (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 less interest income earned on plan assets.

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 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.

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.

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 the Council, Central Government, and South Yorkshire Fire and Civil Defence Authority with surplus and deficits being shared in the ratio specified by Business Rates Retention Regulations.

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.

PROVISION

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.

RE-MEASUREMENTS

For a defined benefit pension scheme, the re-measurements comprise:

(a) 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

(b) Return on plan assets excluding interest income which forms part of the pensions net interest expense

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.

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.

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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 مندرجه بالا نمبر پرھم سے رابطه کریں یا همیں 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.

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

17 September 2014

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 2014, for the purpose of expressing an opinion as to whether these:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 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 2013/14.

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:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14; and

   iii. 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 IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregated, to the financial statements as a whole.

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.

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

7. The Authority confirms the following:

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

   ii. 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 Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, 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.

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 IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation.

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. All related party

relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

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 defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

    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 plan amendments, curtailments and settlements have been identified and properly accounted for.

12. 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.

This letter was tabled and agreed at the meeting of the Audit Committee on 17 September 2014.

Yours faithfully,

Councillor Sangster - Chair of the Audit Committee

Stuart Booth - Director of Financial Services

Appendix A to the Board Representation Letter of Rotherham Metropolitan Borough Council Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

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.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature 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 parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context 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.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.