AUDIT COMMITTEE

Date:-	**Wednesday, 20th July, 2016**	**Venue:-**	**Town Hall, Moorgate Street, Rotherham. S60 2TH**
Time:-	**4.00 p.m.**		

AGENDA

1. To consider whether the press and public should be excluded from the meeting during consideration of any part of the agenda.

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

3. Questions from Members of the Public or the Press.

4. Minutes of the previous meeting held on 27th April, 2016 (herewith) (Pages 1 - 12)

5. Audit Committee Prospectus 2016-17 (Pages 13 - 20)

6. Publication of Unaudited Accounts 2015-16 (Pages 21 - 180)

7. 2015-16 Draft Annual Governance Statement (AGS) (Pages 181 - 210)

8. Annual Treasury Management and Actual Prudential Indicators 2015-16 (Pages 211 - 222)

9. External Audit 2015-16 - Progress (Pages 223 - 229)

10. Internal Audit Compliance with UK Public Sector Internal Audit Standards (PSIAS) (Pages 230 - 255)

11. Implementation of Recommendations resulting from the PWC Review of Internal Audit (Pages 256 - 270)

12. Internal Audit Progress Report for the three months ending 30th June 2016 (Pages 271 - 283)

13. KPMG Risk Register Analysis (Pages 284 - 297)

14. Items for Referral for Scrutiny

15. Exclusion of the Press and Public
That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the Council).

16. Strategic Risk Register (Pages 298 - 311)

17. Date of Next Meeting:-
Wednesday, 21st September, 2016 at 4.00 p.m.

SHARON KEMP,
Chief Executive.

Membership:-

Councillor Wyatt:- Chairman
Councillor Walsh:- Vice-Chairman
Members:- Councillors Allen, Cowles and Ellis.
Independent Person:- Bernard Coleman

AUDIT COMMITTEE
27th April, 2016

Present:- Councillor Wyatt (in the Chair); Councillors Ellis, Hughes and Bernard Coleman (Independent Person).

Debra Chamberlain (KMPG) was in attendance.

An apology for absence was received from Councillor Cowles.

66. QUESTIONS FROM THE PRESS AND PUBLIC

There were no members of the press and public present at the meeting.

67. MINUTES OF THE PREVIOUS MEETINGS HELD ON 10TH AND 25TH FEBRUARY, 2016

Consideration was given to the minutes of the meeting held on 10th and 25th February, 2016.

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

68. UPDATE ON THE USE AND OPERATION OF SURVEILLANCE AND ACQUISITION OF COMMUNICATIONS DATA POWERS

Neil Concannon, Legal and Democratic Services, presented a report on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

The Council was required to notify the Office of Surveillance Commissioners (OSC) of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return for 2015 had now been submitted to the OSC which confirmed:-

- Two authorisations granted for directed surveillance (both in relation to flytipping offences under the Environmental Protection Act 1990)
- No authorisations for CHIS

The use of directed surveillance on those occasions had not yielded any evidence to allow enforcement action to be taken.

The Council was also required to notify the Interception of Communications Commissioner's Office of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. The annual return had been submitted in January, 2016, which confirmed:-

- One application (for a flytipping offence under the Environmental Protection Act 1990)
- To date in 2016, there had been no authorisations for the acquisitions and disclosure of communications data

In December, 2015, a successful corporate training course had taken place for twenty-four officers from various services across the Council. In addition the Chief Executive and Assistant Director of Legal Services would undertake relevant e-learning packages on the use of RIPA powers.

Resolved:- (1) That the annual figures for the use of RIPA and Communications Data authorisations be noted.

(2) That the corporate training undertaken with regard to the use of RIPA and Communications be noted.

(3) That a further update be submitted in six months' time including the associated costs of any surveillance undertaken.

69. EXTERNAL AUDIT AND INSPECTION RECOMMENDATIONS

Further to Minute No. 39 of 24th November, 2015, Sue Wilson, Performance and Planning, presented a report detailing recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing any recommendations that arose.

The following update was given:-

Adult Social Care

- Treefields Close (Learning Disability Respite Service) – overall rating of Good awarded following an unannounced inspection on 14^{th} and 15^{th} July, 2015. There was one required improvement action in relation to "is the service well-led". It was found that the service was well led, however, there had been no registered manager in post for several months despite it being a condition of the Home's registration. The registration process of the new manager had commenced and the current acting manager would be interviewed by CQC to enable sign off
- Quarry Hill Road (Learning Disability Respite Service) – inspected on 11^{th} and 20^{th} August, 2015 and awarded an overall rating of Good with one area "is the service caring" rated as outstanding. The service was now jointly managed with Treefields and formal sign off that the manager had been registered was awaited from CQC pending the interview scheduled for April

- Netherfield Court (intermediate care provider) – an overall rating of good following the unannounced inspection on 7th and 8th October, 2015. There was one requires improvement action in relation to “is the service effective”. It was found that the service was effective although improvements could be made in the way consent was obtained and recorded
- Park Hill (Learning Disability Residential Care Provider) – inspected by the CQC on 10th and 13th November, 2015, and was awarded an overall rating of Good. The CQC made no action or enforcement action requirements of the service
- Overall Adult Services had a satisfactory compliance record with standards subject to inspection. Work had commenced to review current inspection governance arrangements including the stronger practices now implemented in CYPS to further strengthen its arrangements for preparing for inspections and responding to their outcomes

Children and Young People’s Improvement Plan

- Following recommendations from the CYPS Improvement Board in March, 2016, and an intense period of change and improvement within Children’s Services, the Plan was currently under review
    - Provide a refocus on the priority actions to ensure they map against all key Ofsted judgements, recommendations, findings and have realistic RAG ratings
    - Refreshed plan would build on the actions completed to clearly identify and evidence the impact and differences the changes had made to the lives and experiences of the children, young people and families
    - The twenty-six Ofsted inspection recommendations would remain in place and “open” until such time as it was determined that Rotherham had come out of intervention
    - To put in to place a sustainable approach enabling CYPS to meet aspirational objectives and provide a continuous improvement cycle to enable movement to become a child centred Borough with outstanding services
    - Refreshed plan would be live ready for the next Improvement Board in May, 2016

Ofsted Improvement Visits

- There had been five visits as part of their improvement offer looking at the MASH, Duty and Assessment, Child in Need, Child Protection, Leadership, Management and Governance, CSE and Missing Children
- A further Ofsted improvement visits was planned for April focussing on Early Help
- There would also be two regional Sector Led Peer Reviews looking at Leadership Management and Governance in June 2016 and Looked After Children and Care Leavers in September, 2016

- Feedback received had been encouraging in respect of improvements in Duty and Assessment, effective responses on CASE with a continued child centred approach to CSE and a robust MASH where the quality of decision making and signposting continued to improve
- Feedback also identified key learning points which included the voice of the child needed to be influential at all levels in Children's Services

Rotherham's Residential Children's Units

- Cherry Tree was judged as Requires Improvement in 2015. At the interim inspection on 23rd March, 2016, the Home received a judgement of sustained effectiveness
- Liberty House was judged as Good on 27th January, 2016. At the interim inspection on 17th March, 2016, the Home received a judgement of sustained effectiveness
- Silverwood was judged as Good on 30th June. At the interim inspection on 29th February, 2016, the Home received a judgement of declined effectiveness
- Woodview was judged as Inadequate in 2015. The Home closed in October, 2015
- St. Edmunds – was judged as Inadequate in 2015. The decision to close the Home was made on 12th January, 2016, following a full consultation

Economic Development Services and Housing and Neighbourhoods Services

- External peer health checks programme, led by the LGA, commenced
- The EDS Directorate had committed to review current inspection governance arrangements to further strengthen its arrangements for preparing for inspections and responding to their outcomes

Finance and Corporate Services

- The External Auditor issued a range of reports each year which were presented to the Audit Committee e.g. External Audit Plan, Annual Audit Letter
- No recommendations made in relation to the audit of the 2013/14 financial year
- Audit of the Council's 2014/15 claim was completed. The Council received only very minor qualifications resulting in amendments being made to the final claim in accordance with the DWP arrangements.

Discussion ensued with the following issues raised/clarified:-

- Although the twenty-six recommendations were outstanding they were all covered as part of the Improvement Plan. Their status would remain until final sign off by Ofsted. Recent published consultation by Ofsted stated that it would be at least two years from the date that the Authority published their action plan – Rotherham published their action plan in February 2015, so it would be February 2017 at the earliest. Final sign off would be part of the inspection next year

- The two recommendations concerning leadership, management and governance had received "reassurance" on the Ofsted visit in March
- Risk assessments and plans for a child should include the use of contingency plans and be SMARTer so the outcomes, timeframes and who was responsible for such were very clear

Resolved:- (1) That the governance arrangements that were currently in place for the monitoring and managing of recommendations from external audits and inspections be noted.

(2) That regular reports in relation to external audit and inspections and progress in implementing recommendations.

70. EXTERNAL AUDIT PLAN 2015-16

Consideration was given to a report presented by Debra Chamberlain, KPMG, describing the KPMG External Audit Plan (included as an appendix to the submitted report) which set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements and to conclude on whether the Council had arrangements in place to secure value for money in the use of its resources.

Section 3 of the External Audit Plan summarised the key stages KPMG would carry out in their audit of the financial statements and Section 4 set out the areas of focus during the audit in forming their opinion on the Financial Statements. The three areas to be reviewed were:-

- Revenue recognition
- Management override of controls
- New Housing Management system

The following risks had less likelihood of giving rise to a material error but which were nevertheless worthy of audit understanding:-

- Child Sexual Exploitation Claims
- Accounting for the Better Care Fund

The 2015/16 audit fee of £140,828 was based on KPMG's assessment of the level of risk, a reduction from that of 2014/15 (£46,942 (25%)). Previously the fees were dictated by the Audit Commission but it was now Public Sector Audit Appointments Ltd. (PSAA). However, changes to the Plan and the fee may be necessary if significant new audit risks emerged or KPMG's expectations were not met.

Discussion ensued on the new Housing Management system. KPMG would utilise its own IT specialists to assess the general IT controls in place to gain assurance that they were designed appropriately and operated effectively.

It was also noted that all authorities would have the inclusion of the Better Care Fund on their risk registers.

Resolved:- (1) That the report be received and its contents noted.

(2) That KPMG's External Audit Plan 2014/15, as now submitted, be approved insofar as the Audit Committee is concerned and the proposed areas for audit, now identified, be noted.

71. INTERNAL AUDIT PLAN 2016/17

Consideration was given to a report presented by Marc Bicknell, Chief Internal Auditor, which outlined the Council's Internal Audit Plan for 2016/17.

The plan explained Internal Audit's approach to the development of the plan as well as detailing the specific activities it planned to review over the year. It also reflected a comprehensive risk assessment process which included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

As well as a full refresh of the 'audit universe' and a thorough risk assessment of the Council's activities, the Audit Plan had also taken into account:-

- Analysis of the Council's Risk Registers
- Examination of revenue and capital budgets
- Cumulative audit knowledge and experience of previous work undertaken
- Review of both Corporate and Service objectives and priorities
- Discussions with Strategic and Assistant Directors
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error
- Examination of the Corporate Improvement Plan and the Children's Services Improvement Plan
- Review of external inspection reports

As well as identifying all of the proposed pieces of work to be carried out during the year, the Plan:-

- Explained the statutory requirement for Internal Audit
- Described the approach and methodology adopted in producing the Plan
- Showed the level of resources available to deliver the Plan was 1,143 days
- Identified the Audit Universe for the Council
- Included a contingency for responsive work

In line with the UK Public Sector Internal Audit Standards, the Plan did not become fixed when it was approved. It remained flexible and would be revised to take into account any significant emerging risks facing the Authority.

Discussion ensued on the report with the following issues raised/clarified:-

- Procurement was an area receiving attention from senior management. A review was planned to which work undertaken by Audit would join up with. As part of the Corporate Improvement Plan there would be a LGA sponsored peer review of the procurement process which would commence in May
- Regular reviews of the contract registers had been implemented to ensure forward planning of contract renewals to avoid requests for exemption of Standing Orders
- Time had been invested in the audit planning process at ground level which would hopefully anticipate some of the issues
- In future it would include which audits were considered to be protection or value enhancement
- Implications should the country exit the European Union

Through careful management of resources, Internal Audit would continue to undertake the necessary work on fundamental financial systems to support the Section 151 Officer to fulfil their statutory responsibilities.

The audit plan would be kept under review on an ongoing basis, any significant changes to be reported to the Audit Committee for consideration and approval.

Resolved:- That the Internal Audit Plan for 2016/17 be approved.

72. PWC REVIEW OF INTERNAL AUDIT ACTION PLAN UPDATE

Further to Minute No. 64 of the meeting held on 25th February, 2016, the Assistant Director of Audit, CIT and Procurement, presented an update on progress against the recommendations made in the recent Price Waterhouse Coopers (PWC) review of Internal Audit.

Progress was currently being made in accordance with the majority of the action plan with minor changes proposed to take into account factors external to the Service.

Future reports on progress would be subject to external review as agreed by the Chief Executive at the previous meeting. A partner had been appointed to conduct the external reviews.

Appendix 1 of the report submitted contained a full update of progress made against the PWC recommendations.

Progress against the action plan would be reported to the Audit Committee to each of its meetings during 2016/17.

Resolved:- That the progress made in implementing the recommendations included in the Price Waterhouse Coopers review of Internal Audit and the minor changes set out in Appendix 1 of the report submitted be approved.

73. INTERNAL AUDIT ACTION PLAN FOR COMPLIANCE WITH AUDIT STANDARDS

The Assistant Director of Audit, ICT and Procurement, presented an update on the extent to which Internal Audit had conformed with the Public Sector Internal Audit Standards.

Internal Audit had implemented a number of developments during and since the Price Waterhouse Coopers (PWC) report following their review. In particular, a full programme of audit work was completed in 2015/16 with control weaknesses and corresponding recommendations agreed by Management. A number were sensitive areas demonstrating good value added by Internal Audit with regard to the identification of risk management and control improvement actions identified.

The report identified the ongoing actions being implemented to improve the audit policies and procedures in response to the PWC report. Provision had been made to carry out further external review of progress during 2016/17.

The appointed independent person would review and draft an objective assurance to the Committee with regard to the accuracy and completeness of future progress reports.

Resolved:- (1) That the changes and progress made by Internal Audit since the Price Waterhouse Coopers review be noted.

(2) That the action plan be approved in order to ensure full compliance with Public Sector Internal Audit Standards.

74. ITEMS FOR REFERRAL FOR SCRUTINY

Internal Audit Plan 2016/17
External Audit Plan 2015/16

75. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

76. INTERNAL AUDIT ANNUAL REPORT 2015/16

Consideration was given to a report presented by the Chief Internal Auditor, on the role of Internal Audit, the work undertaken by the Service during the 2015/16 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit (Assistant Director of Audit, ICT and Procurement) on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2015/16.

Based upon the audit work undertaken and taking into account other internal and external assurance processes, it had been possible to complete an assessment of the Council's overall control environment. It was felt that, whilst significant improvements had been made following the appointment of Commissioners, the Council's system of internal control for 2015/16 was inadequate. In forming this opinion, during 2015/16 an opinion of 'inadequate' had been formed on the control environment in twenty-one services/functions/systems subject to audit in every Directorate of the Council.

Appendix 1 of the report submitted included:-

- Summary of the audit planning process
- Revisions to the Internal Audit Plan
- Audit work undertaken during 2015/16 including both planned and responsive/investigatory work
- Summary of other evidence taken into account for control environment opinion
- Analysis of audit recommendations made and agreed and status of implementation
- Internal Audit performance indicators

Consideration was also given to Appendix 2, which set out detailed information on each of the sixteen areas which had been found to be 'Inadequate', Appendix 3, a summary of the more significant pieces of work that had been completed in the said period, and Appendix 4, a summary of audit recommendations following each piece of audit work.

Discussion ensued on the report with issues raised/clarified around:-

- Taxi Licensing Administration
- Licensing Enforcement
- Home to School Transport
- Inspections of Closed Children's Homes/District Offices

Resolved:- (1) That the Internal Audit work undertaken during the 2015/16 financial year and the key issues that had arisen therefrom be noted.

(2) That the overall opinion of the Head of Internal Audit that, whilst significant improvements had been made following the appointment of Commissioners, the Council's system of internal control for 2015/16 was inadequate be noted.

(3) That the information contained regarding the performance of Internal Audit during 2015/16 be noted.

77. STRATEGIC RISK REGISTER UPDATE

Further to Minute No. 58 of 10th February, 2016, Shokat Lal, Assistant Chief Executive, presented the third update of the Strategic Risk Register which took account of updates from Directorates, the Strategic Leadership Team and the Audit Committee. The Register was still subject to further refinement as a result of experience as the process developed.

A powerpoint presentation was also given illustrating:-

- Risk Management Objectives
- Current Position
- Next Steps
- Members' Role

The Register was now updated every six weeks and presented to the Strategic Leadership Team on a three weekly cycle.

The current Register had been constructed from updates provided by risk owners. There were two new risks which had been added giving a total of twenty-one risks.

It was still subject to further refinement as a result of experience of its operation and the bedding in of new arrangements and becoming an integrated part of the performance management process. There remained different approaches across the Directorates, which impacted upon the use of the Council's reporting/monitoring software.

Discussion ensued with the following issues raised/clarified:-

- The Interim Corporate Risk Manager had provided refresh training. It was the intention to provide the training to all M3 Managers within the Council

- The Strategic Leadership Team closely scrutinised the Risk Register to check if it had been updated/if there had been any movement on identified risks
- Suggested inclusion of data to show which Directorates had updated their Risk Register

Resolved:- That the updated Strategic Risk Register be noted.

78. DRAFT RISK REGISTER FOR THE REGENERATION AND ENVIRONMENT DIRECTORATE

Caroline Bruce, Interim Director of Environment and Development Services, and Councillor Sims, Cabinet Member for Waste, Roads and Community Safety, were welcomed to the meeting together with Damien Wilson, Strategic Director, Regeneration and Environment Services.

Consideration was given to a report, presented by Caroline Bruce, concerning the review of the Directorate's Risk Register.

The report contained, as an appendix, the latest position in relation to the draft Regeneration and Environment Risk Register. On 1st April, 2016, a number of services had transferred to the Directorate. The draft Risk Register would be approved by the new Directorate Management Team on 9th May, 2015.

There were three overall categories of risk Red, Amber, Green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores, resulting in varying degrees of risk within each category. There were currently no red rated risks on the draft Register.

The current key risk areas for the Regeneration and Environment Directorate were:-

- Delivery of an effective fit for purpose Licensing Service
- Delivery of effective enforcement and regulatory functions
- To have in place robust corporate arrangements to respond to a Major Incident or Emergency discharged through the Corporate Emergency Operations Room
- To put in place a Corporate Business Continuity Plan
- Maintain historic sites
- Effective Home to School Transport
- Unable to deliver the Economic Growth Plan 2015-2025

Members discussed the following salient issues:-

- Inclusion as to which Cabinet Member had responsibility for each risk
- Inclusion of commentary on which risks had been removed and the reasons why when the Register was reviewed

Resolved:- That the current position of the Regeneration and Environment draft Risk Register be noted.

79. CORPORATE RISK MANAGEMENT UPDATE

Shokat Lal, Assistant Chief Executive, submitted a report on the approach being adopted by the Directorate to develop its own Risk Register and its plans for delivering effective risk management in the future.

The actions designed to re-invigorate Risk Management, as set out in the Corporate Improvement Plan, had now been substantially completed. Arrangements were in place to ensure that they were refreshed over the coming months i.e.

- The new Risk Management Policy and Strategy be revised and refreshed by September 2016 in light of experience to date
- Risk management refresher and update training was now being delivered to revisit and reinforce the arrangements rolled out in late 2015
- New Strategic Risk Register formally reviewed every six weeks by the Strategic Leadership Team and presented to the Audit Committee quarterly
- New Operational Risk Registers had been developed at Directorate level with the exception of the Assistant Chief Executive's Directorate where creation of the Register in the new Directorate was underway

Resolved:- That the Corporate Risk Management update be noted.

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report:
Audit Committee

Title:
Audit Committee Prospectus 2016/17

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report:
Judith Badger (*Director of Finance and Customer Services)*

Report Author(s):
Colin Earl (*Assistant Director Audit, ICT and Procurement)*

Ward(s) Affected:
None

Executive Summary:
This report presents to the Audit Committee a draft 2016/17 Prospectus for agreement. The Prospectus outlines the Audit Committee's objectives, how the Committee will operate and how it will deliver its objectives through its workplan, which is scheduled in the Prospectus.
The Prospectus highlights key activities to be carried out in relation to risk management, corporate governance, accounting and internal and external audit.
Recommendation:
The Audit Committee is asked to agree the 2016/17 Prospectus.

Background Papers:
none

Consideration by any other Council Committee, Scrutiny or Advisory Panel:
No

Council Approval Required:
No

Exempt from the Press and Public:
No

Title:
Audit Committee Prospectus 2016/17

1. Recommendations

1.1 The Audit Committee is asked to agree the 2016/17 Prospectus.

2. Background

2.1 The Audit Committee produces an annual Prospectus setting out the scope of its work, the standards it adheres to and its work programme for the year. This report refers to the 2016/17 Prospectus, which is attached at **Appendix A**.

3. Details

3.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The scope of the Audit Committee's responsibilities and its workplan, set out in the Prospectus, are designed to ensure the Committee meets the CIPFA standards.

3.2 Key Audit Committee activities, reflected in the Prospectus, include:

- Satisfying itself and others that the Annual Governance Statement reflects the Council's arrangements and position; for 2016/17 this will include the refresh of the Local Code of Corporate Governance.
- Monitoring the effectiveness of the internal control environment and assurances obtained about its operation.
- Ensuring Internal Audit is independent and effective.
- Reviewing the Council's arrangements for managing the risk of fraud.
- Reviewing the external auditor's annual audit plan and ensuring it is consistent with the scope of the audit engagement.
- Reviewing the findings of the external auditor's work
- Reviewing the financial statements and the external auditor's opinion on the statements
- Considering external audit and inspection recommendations and ensuring these are fully responded to.
- Reviewing and monitoring treasury management arrangements.

3.4 An Audit Committee Annual Report will be produced at the end of the year summarising actual work done and activities undertaken, and demonstrating compliance with standards and fulfilment of the Committee's responsibilities..

4. Options considered and recommended proposal

4.1 The development of a Prospectus was conceived in 2015 through discussion with Commissioner Sir Derek Myers. The 2015/16 Prospectus was a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities. It is considered relevant to produce a Prospectus covering the 2016/17 municipal year.

5. Consultation

5.1 Relevant officers, including the Strategic Director of Finance and Customer Services, have been consulted in producing the Prospectus.

6. Timetable and Accountability for Implementing this Decision

6.1 The Prospectus includes a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

7. Financial and Procurement Implications

7.1 There are no financial or procurement issues arising from this report.

8. Legal Implications

8.1 There are no direct legal implications associated with this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The Audit Committee reviews the management of risks across the Council including relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

10. Equalities and Human Rights Implications

10.1 There are no immediate equalities or HR implications associated with the proposals.

11. Implications for Partners and Other Directorates

11.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee. The Audit Committee hosts meetings twice-yearly to consider partners' risks and control frameworks

12. Risks and Mitigation

12.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a workplan is consistent with the CIPFA standards. The production of a workplan also helps the Audit Committee to ensure it achieves its terms of reference.

13. Accountable Officer(s)

Colin Earl (Assistant Director Audit, ICT and Procurement).

Audit Committee Prospectus: 2016/17

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. *CIPFA*

The Context at Rotherham Council

This Prospectus sets out the scope and the standards of the Audit Committee, which are consistent with Local Government standards. It also describes the approach that will be taken by the Audit Committee and outlines its 2016/17 work programme.

In February 2015, the Government appointed five commissioners to take on executive responsibilities at the Council and to drive improvements in services. Some positive progress was made during 2015 and into 2016, resulting in the return of some powers to the Council in February 2016.

A new Council improvement plan has been produced for 2016/17 and this features a broad range of actions relating to governance procedures and policies. These are of direct interest to the Council's Audit Committee.

The 2015/16 Audit Committee prospectus provided a particular focus on the Council's risk management arrangements. The arrangements are progressing well and will remain central to the Audit Committee's activities for 2016/17.

Also for 2016/17, the Audit Committee will oversee the development of a new Local Code of Corporate Governance, and a review and refresh of policies and procedure underpinning it.

Scope and Standards

In accordance with CIPFA's Position Statement on Audit Committees, the Audit Committee will:

- ✓ Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position; for 2016/17 this will include the refresh of the Local Code of Corporate Governance.
- ✓ Monitor the effectiveness of the internal control environment[1] and assurances obtained about its operation.
- ✓ Consider the accuracy and effectiveness of risk management.
- ✓ Ensure Internal Audit is independent and effective. In particular, the Committee will:
  - ➢ review and approve the responsibilities of the internal audit function and ensure the function has the necessary resources to enable it to perform in accordance with appropriate professional standards
  - ➢ review and assess the annual internal audit work plan
  - ➢ receive a report on the results of the internal auditor's work on a periodic basis
  - ➢ ensure Internal Audit implements its improvement plan and demonstrates compliance with auditing standards.
- ✓ Review the Council's arrangements for managing the risk of fraud.
- ✓ Review and approve the external auditor's annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- ✓ Review the findings of the external auditor's work with the external auditor, including a discussion of any major issues which arise during the audit.
- ✓ Review the financial statements and the external auditor's opinion on the statements. In particular, the Committee will review and challenge where necessary:
  - ➢ the consistency of, and any changes to, significant accounting policies
  - ➢ the methods used to account for significant or unusual transactions where different approaches are possible
  - ➢ whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
  - ➢ the clarity and completeness of disclosure in the financial reports and the context in which statements are made
- ✓ Consider external audit and inspection recommendations and ensure these are fully responded to.
- ✓ Review and monitor treasury management arrangements.
- ✓ Review the Council's policy relating to surveillance and its use of surveillance to ensure compliance with the Regulation of Investigatory Powers Act 2000.

The Audit Committee has *Terms of Reference* that reflect the scope and standards, and agrees an annual work-plan showing how the Committee will deliver its responsibilities. The 2016/17 work-plan, which is a 'live' document that is updated throughout the year, is attached at **Appendix 1**.

[1] The internal control environment comprises all the checks and balances in place, including risk management, to ensure the Council's actions are completed properly and recorded accurately

The Audit Committee has a current membership of five Council Members and one co-opted member. It will meet five times in 2016/17. The Committee's operating model ensures that it:

- ✓ Has clear rights of access to other committees and functions, for example scrutiny.
- ✓ Will have as regular attendees, the chief financial officer, the head of internal audit and the external auditor. Other attendees may include the Council's Chief Executive and its Legal Officer.
- ✓ Is able to meet privately and separately with the external auditor and with the head of internal audit.
- ✓ Has the right to call on any other officers as required.
- ✓ Will report regularly on its work to the Council.

Priorities for 2016/17

The Audit Committee has a lead role in ensuring risks are managed effectively across the Council and places **risk management** at the centre of its purpose. In 2016/17, the Committee will:

- ✓ Oversee the continuing development, implementation and maintenance of the overall risk management framework, policy and strategy.
- ✓ Receive and review the **Strategic Risk Register** on a quarterly basis and confirm the management of risks within it.
- ✓ Receive and consider significant service risk registers and their management as required, including where relevant the attendance of (advisory) Cabinet Members and senior managers to explain their management of risks.

In addition, the Committee aims to strengthen its own contribution. It will:

- ✓ Provide an opportunity for **public questions** at the start of committee meetings.
- ✓ Maintain **a self-assessment** and take action to addressing gaps and develop strengths.
- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year.
- ✓ Participate in KPMG[2] Audit Committee Institute seminars and other appropriate events.
- ✓ Receive other development and support as required, individually and/or collectively.

[2] KPMG are Rotherham Council's external auditors

Working with others

The Audit Committee Chair and Vice-Chair are members of the Council's Overview and Scrutiny Management Board. At the end of each Audit Committee meeting there will be a standing item to consider any matters to be referred to scrutiny, the Executive and / or Council for information or action.

The Committee will meet with other public sector bodies' audit committees in Rotherham, to consider shared risks and respective responses to the risks.

How will we know we have succeeded?

The role of the Audit Committee is crucial. The Committee has primary responsibility for ensuring there are effective governance arrangements in place and operating throughout the organisation, and is the principal advisory function to the Council and Executive on governance related matters.

The Audit Committee will be accountable for meeting its responsibilities. We expect the following outcomes to be achieved:

- ✓ Comprehensive risk registers, including fraud risks, with risks demonstrably controlled.
- ✓ Demonstrable implementation of audit and inspection recommendations.
- ✓ A clear risk-based Internal Audit plan that is adequately delivered.
- ✓ The achievement of a clear opinion on the Statement of Accounts.
- ✓ A new Local Code of Governance reflecting new CIPFA/Solace guidance.
- ✓ An Annual Governance Statement, external audit Value for Money opinion and Internal Audit control environment assessment that fairly reflect the Council's position.

The Audit Committee will produce an **Annual Report** which will show how the Audit Committee is delivering these success measures and contributing positively to improving governance and risk management. The Annual report will be presented to the Council in May 2017.

……………………………………………………………………….

Councillor Ken Wyatt, Chair

……………………………………………………………………….

Councillor Bob Walsh, Vice-Chair

20 July 2016

APPENDIX 1

Rotherham MBC - Audit Committee Workplan 2016/17

Objective and Agenda Item	July 2016	Sept 2016	Nov 2016	Feb 2017	April 2017
Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position					
Draft Annual Governance Statement 2015/16	✓				
Improvement Plan – Governance related issues		✓		✓	
Final Annual Governance Statement 2015/16		✓			
Refresh of the Local Code of Corporate Governance			✓		
Update on Annual Governance Statement Issues 2015/16				✓	
Review of Financial Regulations				✓	
Audit Committee Annual Report 2016/17					✓
Monitor the effectiveness of the internal control environment					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Internal Audit Annual Report 2016/17					✓
Review of Members' and Officers' Declarations of Interest			✓		
Review of Financial Regulations				✓	
Consider the accuracy and effectiveness of risk management					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Improvement Plan – Governance related issues		✓		✓	
Review of Risk Management Policy and Strategy		✓			
Strategic Risk Register	✓		✓		✓
Risk register 'deep-dive' review		✓	✓	✓	✓
Ensure Internal Audit is independent and effective.					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Internal Audit – Improvement Plan progress	✓	✓	✓	✓	
Review of Internal Audit compliance with auditing standards; progress report and external assessment	✓	✓	✓	✓	
Internal Audit Charter and Strategy		✓			
Internal Audit Plan 2017/18					✓
Internal Audit Annual Report 2016/17					✓
Review the Council's arrangements for managing the risk of fraud					
Review of Anti-Fraud and Corruption Arrangements		✓		✓	
Review of the Anti-Fraud and Corruption Policy and Strategy		✓			
Annual Fraud Report 2015/16		✓			
Review of Members' and Officers' Declarations of Interest			✓		

Objective and Agenda Item	July 2016	Sept 2016	Nov 2016	Feb 2017	April 2017
Review the findings of the external auditor's work					
External Auditor's Interim Audit Conclusion 2015/16	✓				
External Auditor's Report on the Accounts 2015/16		✓			
External Auditor's Annual Audit Letter 2015/16			✓		
External Audit Grants Report 2015/16			✓		
External Audit Plan 2016/17				✓	
Review the financial statements and the external auditor's opinion on the statements					
Draft Statement of Accounts 2015/16	✓				
Final Statement of Accounts 2015/16		✓			
External Auditor's Report on the Accounts 2015/16		✓			
Final accounts closedown arrangements and review of accounting policies 2016/17				✓	
Review and monitor treasury management arrangements					
Annual Treasury Report	✓				
Mid-Year Report on Treasury Management and Prudential Indicators 2016/17			✓		
Prudential Indicators and Treasury Management Strategy				✓	
Consider external audit and inspection recommendations and ensure these are fully responded to					
Improvement Plan – Governance related issues			✓		✓
Audit and Inspection conclusions and progress on the Implementation of External Audit and Inspection recommendations			✓		✓
Regulation of Investigatory Powers					
Review of surveillance conducted			✓		✓
Review of Policy					✓

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report
Audit Committee

Title
Publication of unaudited accounts 2015/16

Is this a Key Decision and has it been included on the Forward Plan?
No.

Strategic Director Approving Submission of the Report
Judith Badger – Strategic Director of Finance & Customer Services

Report Author(s)
Simon Tompkins (Finance Manager)
Finance & Customer Services Directorate
01709 254513 simon.tompkins@rotherham.gov.uk

Ward(s) Affected
All

Executive Summary

The Council's annual accounts are the principal means by which the Council is held publicly accountable to local and national stakeholders over the stewardship of its resources.

The report to Audit Committee on 10 February 2016 brought to Members attention the main changes to local authority financial reporting in 2015/16 and changes to the statutory framework for local electors to exercise their rights.

This report highlights how the changes to local authority financial reporting have manifested themselves in the unaudited accounts published on the Council's website on 30 June 2016 which are available through the following link:

http://www.rotherham.gov.uk/downloads/download/295/financial_reports_and_documentation_2016 .

It also provides Members with an opportunity to consider the accounts before Audit Committee is asked to formally approve them, post completion of KPMG's audit, at its meeting in September.

Recommendation

The Audit Committee is asked to receive the unaudited 2015/16 accounts

List of Appendices Included
Appendix A – Narrative Report
Appendix B – Highlights Report setting out key matters reported in the 2015/16 accounts
Appendix C – Unaudited accounts 2015/16

Background Papers
CIPFA Code of Practice on Local Authority Accounting 2015/16
Accounts and Audit Regulations 2015
Audit Committee meeting – 10 February 2016

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required
No

Exempt from the Press and Public
No

Publication of the unaudited accounts 2015/16

1. Recommendation

The Audit Committee is asked to receive the unaudited 2015/16 accounts

2. Background

2.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.

2.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 30 June accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor. The 2015/16 unaudited accounts were published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 30 June 2016. The period for local electors to exercise their rights is therefore now underway ending on 11 August 2016.

2.3 The external audit of the unaudited 2015/16 accounts is also now underway. KPMG will report the findings from their audit to Audit Committee at its September meeting setting out any material adjustments made to the accounts and any uncorrected differences of a non trivial nature (KPMG have set an overall materiality level of £10 million and triviality threshold of £0.5 million for their audit of the 2015/16 accounts). Audit Committee will then be asked to formally approve the audited accounts for publication having regard to KPMG's findings and KPMG will give their opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is 30 September.

3. Key Issues

3.1 Unaudited accounts – key changes / issues to note

3.1.1 The Council's unaudited 2015/16 accounts as published on the Council's website are attached as Appendix C.

3.1.2 The main changes to the accounts in 2015/16 are:

- Introduction of the Narrative Report
- The creation of earmarked revenue reserves to address specific financial risks
- A technical change to the way in which charges for the repayment of debt (MRP) are presented in the accounts
- Opening of the Joint Waste PFI facility in July 2015

- The establishment of the Better Care Fund for the operation of integrated health and social care with NHS Rotherham

3.1.3 The Narrative Report is a new requirement for 2015/16. Its purpose is to give a fair and balanced commentary of the development and performance of the Council against its corporate and financial objectives and of its key strengths and resources. The introduction of the Narrative Report is a first step towards CIPFA's wider aim of having an integrated reporting framework which sets out how an authority deploys its resources to deliver its desired outcomes. CIPFA anticipate that integrated reporting will be introduced fully in 2017/18. The Council's Narrative Report for 2015/16 is attached as Appendix A. It has been considered by SLT prior to being published.

3.1.4 The Highlights Report attached at Appendix B summarises the key financial disclosures reported in the 2015/16 unaudited Statement of Accounts and provides further detail on each of the key financial issues referred to in para 3.1.2.

3.1.5 Although not an issue for the 2015/16 accounts, Members may wish to note that there is a forthcoming major change to the way in which the Council's highways assets are valued and presented in the Balance Sheet. At present, highways infrastructure assets have a value of £136 million in the Balance Sheet based on historic cost. As at 1 April 2016 they will be presented in the Balance Sheet as a single interconnected Highways Network Asset and revalued to their current replacement cost. Officers are in the process of producing a reliable estimate on what the change in value might be but the indication at this stage is that it will lead to a very material increase in excess of the current combined value of the Council's housing stock, schools and other Property Plant and Equipment which stood at £1,000 million in the 2015/16 Balance Sheet.

3.2 Future developments - Faster closure and "Telling the Story"

Faster closure

3.2.1 Members may recall that the Accounts and Audit Regulations 2015 will, with effect from 2017/18, bring forward the deadlines for publishing the unaudited accounts and audited accounts. The deadline for publishing the unaudited accounts will be brought forward by one month from 30 June to 31 May. The deadline for publishing the audited accounts will be brought forward by 2 months from 30 September to 31 July. There are benefits in bringing forward the timetable in that it encourages authorities to focus on material items and information of most relevance to readers of the accounts and stakeholders and to treat end of year reporting as an extension of in year reporting. However, achieving a shorter reporting timetable whilst at the same maintaining good quality accounts will represent a significant challenge for many local authorities.

3.2.2 Rotherham has made a good start to meet this challenge due to the changes to the accounting system and semi automation of the accounts production process that has taken place in recent years. Nevertheless, successfully reducing closedown by a further month should not be underestimated and will require high level commitment as well as detailed planning.

3.2.3 2016/17 is therefore being used as a dry run with the aim of publishing the unaudited accounts by 31 May. A project plan is being prepared to re-engineer processes where necessary to overcome potential barriers. This will be project managed closely over the remainder of the financial year. As part of this process advantage will be taken of CIPFA's initiative to "de-clutter" the accounts to remove non material disclosures. Engagement will also take place with neighbouring authorities and our external auditors to share best practice and to get KPMG's assurance that the new processes and reduced disclosure are satisfactory from their perspective.

Telling the Story

3.2.4 Local authority accounts are very complex due to the fact they are prepared on an IFRS basis but local government is funded on a different statutory basis. CIPFA has launched an initiative to try and improve the presentation of the accounts ("Telling the Story"), to better inform an ordinary reader of the accounts on how information contained within the financial statements can be related to the funding the local authority receives and how its money is spent. This will involve de-cluttering the accounts to remove non material disclosure and to present service expenditure in a manner consistent with how it is reported in year through revenue monitoring.

3.2.5 These developments will be factored into the plan for achieving faster closure.

4. Options considered and recommended proposal

4.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Audit Committee does however have discretion over whether it wishes to receive the unaudited accounts before they are formally required to approve them for publication post audit.

5. Consultation

5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the accounts being prepared.

6. Timetable and Accountability for Implementing this Decision

6.1 The statutory deadline for publishing the unaudited financial statements of 30 June has been met. The statutory deadline for publishing the audited financial statements is 30 September.

7. Financial and Procurement Implications

7.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet KPMG's expectations.

8. Legal Implications

8.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

9. Human Resources Implications

9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

14. Accountable Officer(s)

Judith Badger - Strategic Director of Finance & Customer Services)

This report is published on the Council's website or can be found at:-
http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=

Rotherham Metropolitan Borough Council

ROTHERHAM MBC

NARRATIVE REPORT 2015-16

Narrative Report 2015-16

Background

The Accounts and Audit (England) Regulations 2015 introduced new requirements for local authorities to publish a narrative report. The Regulations require local authorities to produce and publish a narrative report in respect of each financial year and comment on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The narrative report, which replaces the explanatory foreword, needs to be published along with the financial statements/Statement of Accounts and the annual governance statement, and has to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This requires that there should be a narrative report to accompany the financial statements and that this should be based on the information contained in the annual Statement of Accounts.

Introduction

This narrative report summarises what Rotherham MBC spent in 2015/16, how it was spent and what has been achieved in line with the Council's priorities and specific improvement agenda in the light of central Government intervention since February 2015. It provides a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years.

The narrative report has been produced by the Council to better inform residents about how and where money is spent by the Council in the current specific context of its work towards strengthening its governance arrangements, improving the value for money of the services it provides and how it demonstrates leadership for local communities.

The narrative report sets out the Council's behaviours, values and standards for how it will conduct itself and sets out some of the key governance, operational and financial challenges it continues to face and seek to address in order to ensure it can operate in an open, accessible and transparent way.

Recent history

Rotherham MBC has experienced a unique position in local government during the 2015/16 financial year. Following the publication in February 2015 of a Corporate Governance Inspection (CGI) report, central Government issued legislative directions that appointed a team of five Commissioners to take over all executive decision-making at the Council. This meant that, from the start of the 2015/16 financial year, the Council's traditional decision-making structures had been re-configured so that executive decisions were taken by the Government-appointed Commissioners, in consultation with elected members, and in a way that continued to respect the role of overview and scrutiny.

The position of the Council during 2015/16 has been one of transition, with Commissioners working with elected members and officers to take the steps required to improve leadership, governance and the Council's commitment to upholding its best value duties. In the light of the positive steps taken towards improvement, some executive powers were returned to the Council from February 2016, with continuing oversight of these decisions by the Commissioners. Rotherham is therefore now emerging from a period where executive decision-making had been removed altogether from Councillors. The Leader now has a Cabinet who are either able to make decisions over returned functions or work closely with the Commissioners who still make the final decisions.

The Council is committed to an ongoing improvement journey to provide Commissioners and the Secretaries of State with the evidence and reassurance required to bring about the restoration of decision-making powers in full as soon as possible. To support this aim the Commissioners have encouraged Councillors to continue to represent their wards and the wider Borough and to prepare for the return of full decision-making powers. Senior staff will also work to ensure Councillors are aware of the major choices the Council faces and give an account of progress such that Councils can hold them to account. The Commissioners will continue their role, even after the transference of powers back to the Council, to have ongoing oversight of the Council up to 2019, should this be required.

The Council's new senior management team and new political leadership are leading the Council in redefining what it stands for, what its priorities are, its promise to Rotherham residents and businesses, and its long term ambitions for the Borough. The Council is focused on providing services that residents want and need to sustain their quality of life by designing and delivering services with them. It is reshaping its internal and organisational values and practices to demonstrate its commitment to excellence and best value and ensure that residents are at the heart of every decision made.

About Rotherham

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the Sheffield City Region. The Borough has a growing population of 260,000 which is also ageing, with one in four aged over 60 years. The population has become increasingly diverse, with one person in 12 (around 8%) belonging to a minority ethnic group (though this remains lower than the national average of around 13%).

Rotherham has a proud industrial heritage based on coal and steel but these have declined over recent decades and the borough has undergone a transition to a more modern economy.

Large scale job losses affected Rotherham during the last economic downturn but the employment rate is rising again. Although nearly 100,000 jobs are based in Rotherham, 44,000 people travel to workplaces outside the borough. The Borough's economic flagship is the Advanced Manufacturing Park which is home to many companies including Rolls-Royce and Boeing. This is part of the 740 acre development at Waverley, which will deliver 4,000 new homes and 3,500 jobs; and is at the heart of the wider plans in partnership as part of the Sheffield City Region to deliver an even larger scale Advanced Manufacturing Improvement District.

Rotherham has excellent transport links to the rest of the country with easy access to the M1 & M18 motorways and a network of rail (including four stations within the borough) and bus services. There are five airports within 50 miles, including Robin Hood airport which is less than 20 miles away. Rotherham offers a good quality of life combined with a relatively low cost of living. Although house prices have risen over the years, they remain around half the national average.

There are numerous cultural and historical attractions in Rotherham, including the stately home of Wentworth Woodhouse; the award winning Clifton Park and Museum; the Magna Science Adventure Centre; and the spectacular ruins of Roche Abbey owned by English Heritage.

Despite a range of positive developments and opportunities the legacy of previous industrial decline continues to cause issues across Rotherham, which the Council continues to prioritise. Rotherham is ranked the 52nd most deprived district in England, mainly as a result of poor health, worklessness and low levels of adult qualifications (this despite very positive performance in terms of attainment in Rotherham’s schools). In addition, deprivation has been increasing in the poorer parts of Rotherham but reducing elsewhere, risking an even more polarised borough in future if this trend continues. Health in Rotherham has long been poorer than average with life expectancy below that in England as a whole, although rising. Rates of coronary heart disease have reduced significantly over the last 10 years but the borough has high rates of disability and long term sickness.

Adult qualification levels are below average, particularly higher skills. However, a real strength of the borough is that 82% of pupils attend good or better primary and secondary schools, this leads to more children at the end of Key Stage 4 attaining well above those in neighbouring authorities and in line with national performance since 2012.

Rotherham is also a relatively safe borough with a crime rate below the South Yorkshire average and despite a recent rise, violent crime remains below the national average. Recorded anti-social behaviour has fallen by over a third over the last five years.

Visions and priorities

During the summer of 2015, the Leader of the Council and the Commissioners, supported by other leading councillors and a range of partners, met with people across Rotherham to listen to their views and their priorities for the future. This resulted in the ‘Views from Rotherham’ consultation report that was published in September 2015 to summarise the key findings.

The Leader of the Council, in consultation with other members, has used the feedback received to define a new vision for the Borough, as follows:

“*Rotherham is our home, where we come together as a community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind.”*

To achieve this the Council will work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards yet focused relentlessly on the needs of our residents.

To this end the Council has set out four priorities or vision themes:

- *Every child making the best start in life*
- *Every adult secure, responsible and empowered*
- *A strong community in a clean, safe environment*
- *Extending opportunity, prosperity and planning for the future*

This is underpinned by a corporate commitment to provide value for money, customer-focused services, make the best use of the resources available to us, be outward looking and work effectively with partners; as part of demonstrating that Rotherham MBC is '*a modern, efficient council*' in line with the above vision. The headline measures and priorities across the Council that will support the delivery of this new vision will be set out in a finalised 2016/17 Corporate Plan and Performance Management Framework, due to be considered at the first full Council meeting in the 2016/17 municipal year (i.e. 13th July 2016).

Delivering the vision and priorities

Over the next year the Council will be focusing on reforming services against the backdrop of making necessary in year savings of £21.0m, this represents over 10% of the Council's net revenue budget.

This is in the context of the recently approved Medium Term Financial Strategy ('MTFS') for the Council which sets out a three-year approach to delivering a balanced and sustainable budget plan which will be a significant challenge given the likely scale of the funding gap facing the Council up until the end of the decade and the likelihood that the local government finance system will be the subject of fundamental change that will see the Government's Revenue Support Grant to councils end, making them wholly funded from income generated locally from business rates, council tax and fees and charges..

Each Directorate is developing its own service business plans to support delivery of a new Corporate Plan setting out the council's vision and priorities for 2016/17. This performance management process is supporting a renewed focus on continuous improvement, early intervention, cross directorate working, implementing good practice and raising standards throughout all Directorates.

Partnership working is also recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and strengthen local communities.

Working in partnership

The new 'Rotherham Together Partnership' was launched in September 2015 and brings together a wide range of organisations, including major public bodies (such as the police, health agencies, education and the fire and rescue service), local businesses and the voluntary and community sector, to look collectively at how all partners can work together to deliver improvements for local people and communities by combining their knowhow and resources.

A Partnership Action Plan for 2016/17 was launched in March 2016 and partners will be developing a longer-term Community Strategy over the course of 2016, to come into force from 2017. Supporting boards and partnerships include the Health & Wellbeing Board; Children & Young People's Partnership; Safer Rotherham Partnership; Business Growth Board; Sheffield City Region; and schools, colleges and children's centres.

The Council's Performance Management Framework and service plans

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

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

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

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

Service and team-level plans are a vital part of the Performance Management Framework, in addition to the over-arching Corporate Plan, setting out what the Council needs to deliver, focus on and improve; as well as how this will be achieved. The Framework provides the critical 'golden thread' to ensure that the Council is working effectively together, across all services, to achieve its strategic priorities.

The Corporate Plan sets out specific actions within each of the four vision themes noted above, as well as the cross-cutting corporate commitment to a ‘modern efficient council’. The Plan describes what the Council’s main outcomes, measures, indicators and targets will be over the next 12 months, with these further supported by underpinning service plans. As the Council operates in a constantly changing environment it will need to ensure that the content of these performance measures and plans are kept under review as it reports on performance over the coming year; and will review the entire plan, service plans and its headline measures more formally for the start of the 2017/18 municipal year.

Financial performance for the year

Included alongside this report is the Council’s annual **Statement of Accounts**.

The Statement of Accounts summarises the Council’s financial performance during the year ended 31st March 2016 and its overall financial position at the end of that period. By law, all councils must produce a Statement of Accounts every year. They contain all the financial statements and disclosure notes required by statute and have been prepared in accordance with the Code of Practice on Local Authority Accounting for 2015/16 together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (‘CIPFA’).

The key sections included in the accounts are:

Statement of Responsibilities
This sets out the respective responsibilities of the Council and the Executive Director of Finance and Customer Services.

Comprehensive Income and Expenditure Statement
This account summarises the revenue costs of providing all council services and the income and resources received in financing the expenditure.

Movement in Reserves Statement
This statement shows the movement during the year of the different reserves held by the Council.

Balance Sheet
The Balance Sheet includes information on the Council's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.

Cash Flow Statement
This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.

Notes to the Core Financial Statements
These notes expand on important points shown in the core statements and provide further explanation of movements and balances.

Housing Revenue Account
This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local council housing.

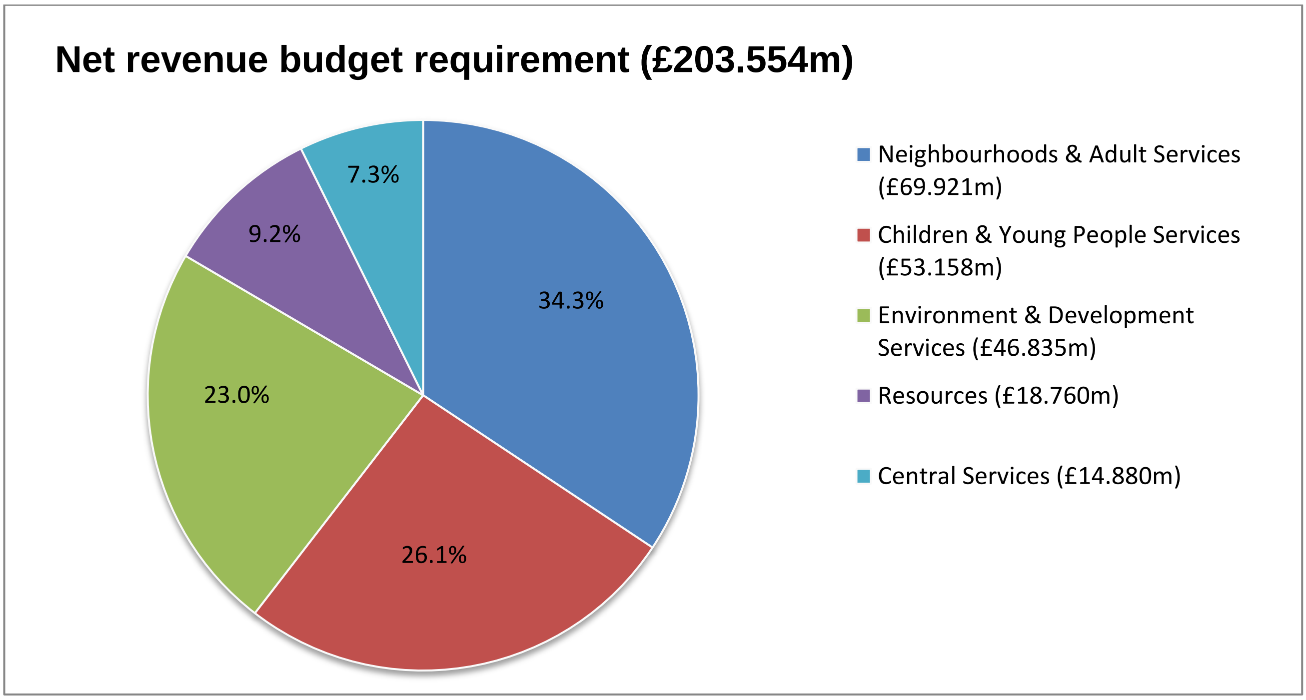
Collection Fund Statement
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax, and also illustrates the way in which income has been distributed to precepting authorities (i.e. South Yorkshire Fire and Police).

Revenue & Capital Expenditure Outturns

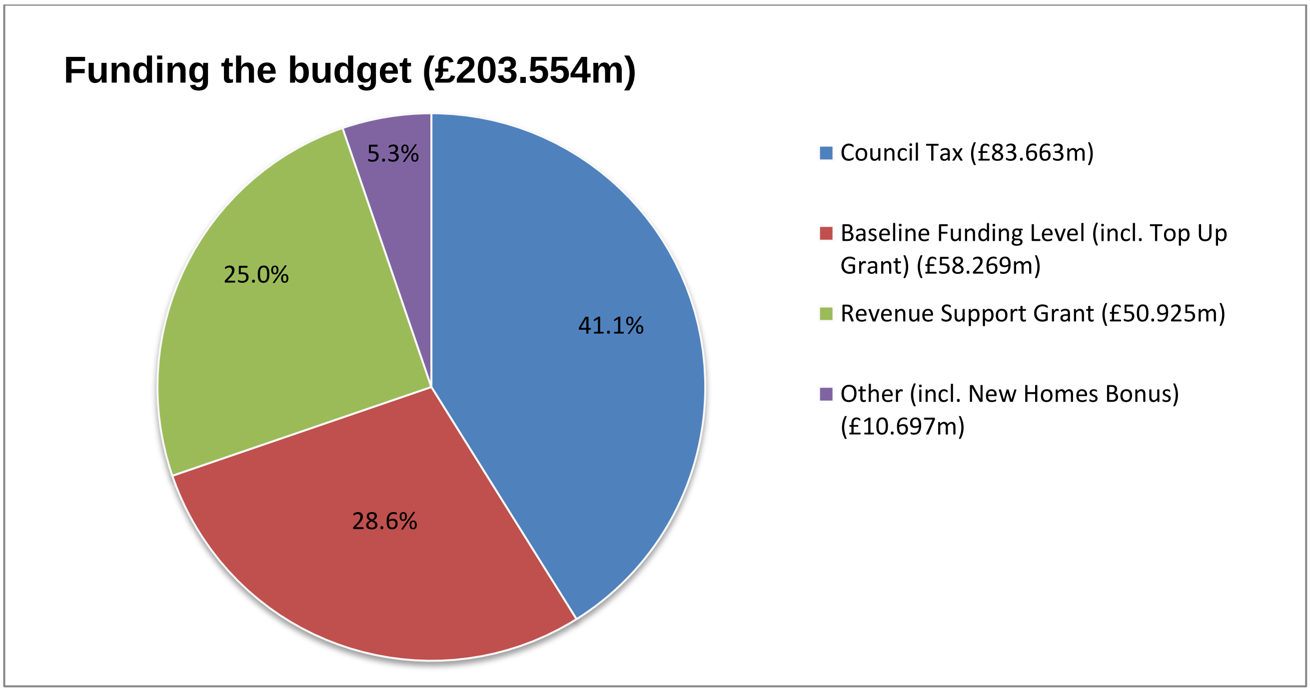
A summary of the Council's revenue and capital outturns for 2015/16 is included in the following paragraphs. Further details can be found in the report presented to the Cabinet/Commissioners Decision Making Meeting on the 11 July 2016. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services.
The net revenue budget for 2015/16 was £203.554m (after taking account of income from specific grants and fees and charges) and was split by portfolio as follows;



The net expenditure was budgeted to be funded by



Revenue Outturn

General Fund Services

The Council set a revenue budget for General Fund services (excluding schools) of £203.554m in 2015/16. The actual outturn of £203.413m was a £0.141m underspend inclusive of traded services balances.

The General Fund Working Balance remains at £11.269m.

The Council's Revenue Reserves have decreased by £18.721m to £100.478m.

The principal reasons for the £0.141m underspend are:

- A £0.548 underspend on Neighbourhoods and Adult Services mainly as a result of additional income from the Furnished Homes scheme and additional fee income from the increase in private sector adaptations;
- A £1.316m underspend on Environment and Development Services mainly as a result of savings against a number of budgets, e.g. on waste collection and waste disposal services, offsetting some on-going underlying operational pressures, e.g. the decrease in major planning applications and search fees in planning;
- A £0.359m underspend on Resources with reduced costs, such as in HR and Payroll services, being partially offset by overspends in other areas, such as higher volumes of legal and statutory notices and unachieved Print unit income;
- A £1.001m underspend in Central Services with significant savings, such as those against the voluntary severance budget and the discount received through the

prepayment of the pension's deficit being partially offset by overspends, e.g. on the implementations of the new social care system and the Imagination Library;

- An overspend of £8.409m on Children and Young People Services which is largely due to the volume of placements and the high level of costs associated with the placement of Looked After Children in out of authority placements, the use of agency staff to cover vacant Social Worker posts and the use of interims to provide essential leadership and direction to the service; and

- The planned use of one-off reserve funding of £5.326m

Schools outturn

In addition to General Fund balances and reserves the Council also holds £3.722m relating to School Delegated Budgets. As can be seen below, this represents a reduction of £1.331m on the previous year. The reduction has arisen, in part, due to schools having drawn down balances to support spending in 2015/16 and, in part, due to the transfer of school balances from the Council's balance sheet as a result of schools converting to an academy during the year.

2014/15 £m		2015/16 £m
0.135	Schools' Declared Savings	0.038
4.918	Unspent Schools' Budgets	3.683
5.053	Total	3.722

Housing Revenue Account Income and Expenditure Account

For 2015/16, the Income and Expenditure Account shows a surplus on the provision of HRA services of £1.929m. This is adjusted for items which are charged to the HRA under normal accounting practice but which are disregarded in determining the amount to be met by rent payers. These adjustments amounted to £5.275m and led to an overall surplus of £7.204m for 2015/16 which is principally due to savings on Supervision and Management costs; a reduction in the revenue funding of capital costs resulting from a reduced capital programme to mitigate the impact of the revised rents policy; and a decrease in the provision for bad debts resulting from the lower than expected impact from changes to the welfare benefits system.

The balance on the HRA at the end of 2015/16 was £27.932m. Under self-financing, all the risks of managing housing rest with the Council. This means that the Council needs to maintain a higher level of HRA reserves in order to fund all expenditure relating to the management and maintenance of housing stock and mitigate any potential risks the Council now faces. These risks include the costs of impairment/revaluation of non-dwellings which is a real charge to the HRA and Welfare reform which brings additional risk of lower income collection and increased cost of collection.

Comprehensive Income and Expenditure Statement

Revenue expenditure is reported in the accounts in the *Comprehensive Income and Expenditure Statement.* This shows the accounting position for the year, a surplus for 2015/16 of £31.692m (following schools balances transferred out on conversion to academies), and indicates the movement in the Council's net worth over the year as shown in the Balance Sheet (i.e. a change of £31.692m moving from £42.188m to £73.880m as at 31st March 2016).

The Comprehensive Income and Expenditure Statement is split into two parts. The first part reflects the full economic cost of providing council services for the year ('operating costs') with the results summarised as the Surplus or Deficit on the Provision of Services. The second part, other comprehensive income and expenditure shows the gains or losses in the measurement of the assets and liabilities of the Council. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions' assets and liabilities.

The final General Fund outturn position (£203.414m) may be reconciled to the financial position reported in the a Comprehensive Income and Expenditure Statement as follows;

	Net budget (£m)	**Net spend (£m)**
Outturn report (GF services)	**203.554**	**203.413**
HRA and Public Health		(7.015)
		196.398
Amounts not reported to management or excluded from cost of service (including recharges)		5.733
Cost of Continuing Operations		**202.131**
Other operating expenditure, financing and investment income and expenditure, taxation and non-specific grant income		(164.035)
Deficit on Provision of Services		**38.096**
Other comprehensive income and expenditure		(70.080)
Total		**(31.984)**
School balances transferred on conversion to academies		0.292
Overall change in net worth		**(31.692)**

Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets of the Council would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the Council.

Reserves

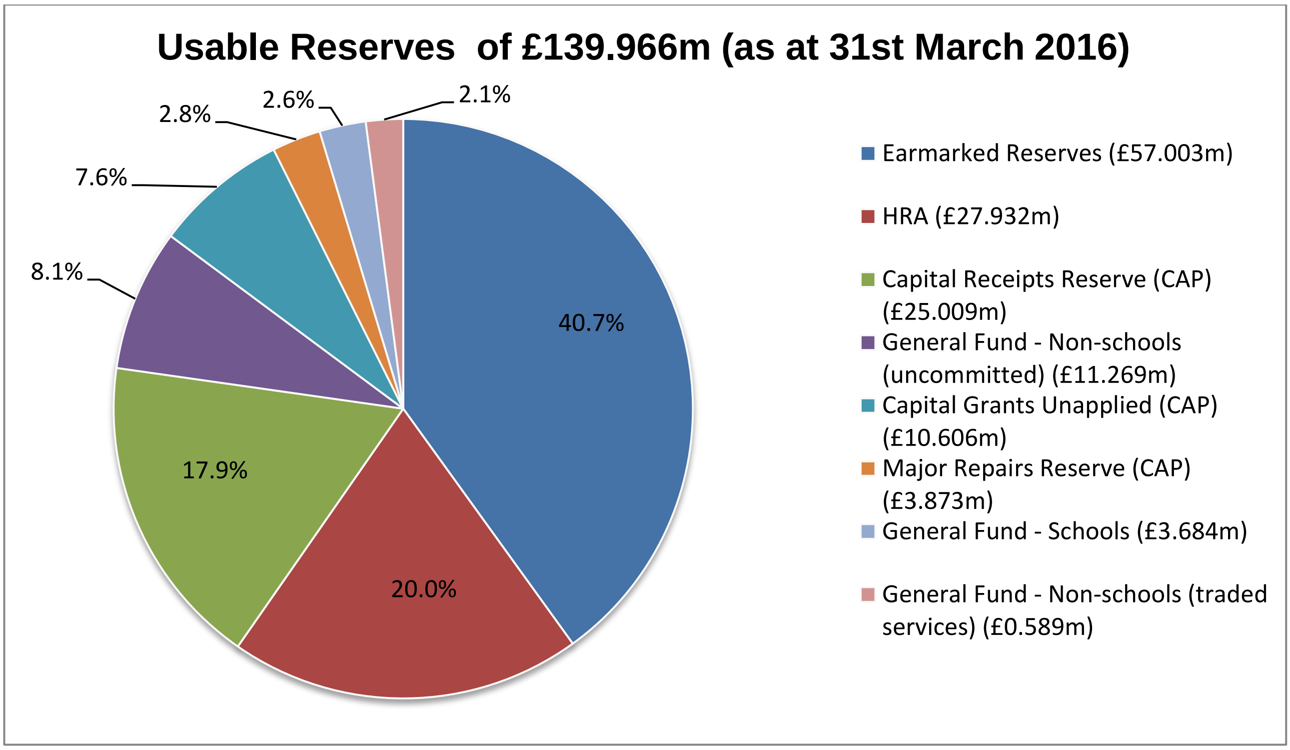
The Council manages its funds between two categories of reserves, usable reserves and unusable reserves.

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

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

As at 31st March 2016, the Council held £139.966m of usable reserves. Included within this balance are capital reserves of £39.488m which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue directly.

This leaves £100.478m of revenue reserves and balances. However, most of these are ring–fenced (HRA and school balances) or earmarked for specific purposes.



The uncommitted General Fund balance of £11.269m offers financial resilience against unforeseen costs and contingencies. Representing 5.65% of the Council's 2016/17 net revenue budget, this is considered a prudent level which will allow the Council to safeguard itself against the potential financial risks in its MTFS.

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

Capital expenditure overview

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

Total capital expenditure in 2015/16 amounted to £81.893m which is inclusive of new PFI and Finance Leases of £13.683m and is analysed by Directorate as follows:

	2015/16 £m
Children & Young People Services	12.526
Neighbourhoods & Adult Services:	
- Housing Revenue Account	28.267
- Housing General Fund	3.406
- Adult Social Services	0.808
Environment & Development Services	36.179
Resources	0.707
Total	81.893

The capital expenditure was financed as follows:

	2015/16 £m
Borrowing need	19.646
Waste PFI Finance Lease	13.683
Major Repairs Allowance (MRA)	20.932
Grants & Other Contributions	19.318
Capital Receipts	3.092
Internal Funds (e.g. Reserves, etc.)	5.222
Total	81.893

Major items of capital expenditure incurred are as follows:

	2015/16 £m
<u>Non Housing:</u>	
Carriageway Resurfacing	5.810
Street Lighting	2.362
Old Flatts Bridge	2.052
Pool Green Roundabout	1.021
Social Care IT System	1.079
PFI Waste Plant	19.276
New School (Eldon Road) - now Eastwood Village Community Primary	4.520
Wickersley Comp Expansion	1.850
Various Academy Schools PFI lifecycle costs	2.543
<u>Housing Investment Programme:</u>	
Physically Handicapped Conversions / Improvements (Public)	1.394
Replacement of Central Heating Systems	3.003
Voids Programme	4.046
Refurbishment of Council Stock	9.824
Investment in Non-traditional Properties	2.221
Physically Handicapped Adaptations (Private)	1.552
District Heating Conversions	1.371
Strategic Housing Acquisitions	3.250
Furnished Homes	1.250

Treasury Management & Prudential Indicators

A summary of the Council's borrowing activities for 2015/16 is shown below. Further detail of the Council's Treasury Management activities and prudential indicators can also be found in the report presented to the Cabinet/Commissioners Decision Making Meeting on the 11th July 2016. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

2014/15 £m		2015/16 £m
448.883	Balance as at 1 April	446.597
	<u>Plus:</u>	
20.000	New long-term borrowing	30.000
0.000	Long-term borrowing repaid	0.000
(22.286)	Re-classified as temporary borrowing (repayable in the following financial year)	(17.292)
446.597	Balance as at 31 March	459.305

The Council's temporary borrowing activities are summarised as follows:

2014/15 £m		2015/16 £m
27.279	Balance as at 1 April	22.286
	Plus:	
5.771	New temporary borrowing	13.000
22.286	Re-classified from long-term borrowing	17.292
55.336		52.578
(5.771)	Repayments in the year	(13.000)
(27.279)	Repayment of prior year's reclassified long-term borrowing	(22.286)
(33.050)		(35.286)
22.286	Balance as at 31 March	17.292

Key changes in accounting policy

The Council's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting for 2015/16. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There has been one significant change in accounting policy during 2015/16 for the implementation of IFRS13 Fair Value Measurement. This standard provides a consistent definition of fair value throughout the accounts for assets and liabilities; fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The impact of the change has resulted in revaluations, with additional disclosures in the financial statements and notes, for financial instruments, property assets (Assets Held for Sale, Investment Properties and Surplus Assets) and pensions.

In 2016/17, the CIPFA Code of Practice will adopt the Transport Infrastructure Assets Code, resulting in a change to the measurement basis for the Council's highways related assets. The new Highways Network Asset will be valued at depreciated replacement cost, replacing the depreciated historic cost value reported in these accounts. The new valuation approach is expected to significantly increase the value of the Council's Balance Sheet from 1st April 2016.

Financial outlook

Like all local authorities across the country, the Council continues to operate against an annually reducing budget from central Government and increasing costs and demand for services. There is an increasing dependence on the funds that the Council can itself generate locally, through Council Tax and the share of business rates retained. Alongside this there are frequently factors beyond local control, subject to national and global decision-making, which increase the risks around how the Council can ensure it has the resources required to deliver the services that local people need.

Over the last 5 years (2011/12 to 2015/16) the Council has successfully responded to the significant and unprecedented financial reductions imposed on local government as part of the Government’s austerity programme. Over this 5 year period, the Council has addressed a cumulative funding gap of £117m.

For 2016/17 the Council is required to achieve its plans to meet a further £21m funding gap to address the provisional finance settlement for the Council, include essential investment requirements, and reflect additional corporate savings.

In addition, since April 2013, local authorities have been required to manage an unprecedented transfer of financial risk through the Government’s significant and ongoing reforms of both local government finance and welfare (benefits) systems. For example, the localisation of business rates retention and the abolition of Council Tax Benefit being replaced by a local Council Tax Reduction Scheme.

Equally, the Government continues to place restrictions on how local authority finances can be used through the Council Tax Excessiveness principles, requiring a local referendum if the proposed Council Tax increase is 2% or greater. For councils like Rotherham, with Adult Social Care responsibilities, the Government has increased this threshold by a further 2% from 2016/17 to encourage these councils to generate further local funding in recognition of the significant funding challenges facing this particular service area.

In meeting the year on year significant financial challenges presented, the Council has demonstrated a successful track record in delivering its financial plans. However, it is recognised that into the future this will only be sustainable if the Council maintains a clear focus on its corporate plan priorities and key outcomes and puts in place a new, different relationship with its citizens, residents and other stakeholders.

The Council’s budget strategy has been to limit, as far as possible, the impact of funding cuts on front line services particularly on the most vulnerable residents, whilst looking to grow the local economy to maximise future income generation potential, as well as to boost the wellbeing and prosperity of Rotherham’s residents.

The climate of continued funding cuts from Government and the pace of growth in the local economy has made this strategy difficult to maintain.

More will be done to review how we can further transform services to deliver further savings and to look for opportunities for joining up or rationalising service arrangements where this is sensible to do so and will reduce costs.

However, the further planned government funding cuts over the period to 2019/20 mean that it is inevitable that some of the future savings the Council will have to deliver will inevitably impact on frontline services.

Further work is currently on-going to refresh the Council's recently approved MTFS to show the likely and full extent of the funding gap until the end of the decade (2019/20) within the context of a fundamental redesign of the local government finance system which is likely to see local government having to take on additional responsibilities and working within the Sheffield City Region Devolution Agreement.

Signed...

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

Date....29/6/16...

Appendix B

Unaudited Statement of Accounts 2015/16 – Financial Highlights Report

This financial highlights report draws Members attention to key financial disclosures reported in the 2015/16 unaudited Statement of Accounts.

The primary financial statements that Members should be aware of are:

- The Comprehensive Income and Expenditure Statement (**CIES**) on page 5, which is inclusive of the HRA figures shown in the separate statement on page 81, shows what the Council's financial performance would have been on an accounting basis under International Financial Reporting Standards (IFRS). This is very different to the revenue outturn reported on the basis on which local government is funded and which is used to determine the amount to be raised from council tax payers and rent payers

- The Balance Sheet on page 8 of the accounts which sets out the assets and liabilities of the Council at the end of 2015/16

- The Movement in Reserves Statement on page 6 of the accounts which sets out the change in the overall level of usable reserves (revenue and capital) available to support revenue spending and the capital programme in future years. It provides the reconciliation of the deficit reported in the (CIES) on an accounting basis to the net change in the General Fund balance and HRA balance on a local government funding basis.

- The Collection Fund on page 89 of the accounts which shows separately the surplus or deficit to be distributed or recovered relating to council tax and retained business rates

Reconciliation of Revenue Outturn to the Net Deficit on Provision of Services reported in the CIES in the accounts

The net revenue spend on the Council's General Fund services reported in the Revenue Outturn report presented to Cabinet on 11 July 2016 was £203.4 million. After including the combined surplus on the HRA and Public Health this reduces to £196.4 million.

Statutory adjustments are required to allow for differences between the way these transactions are reported on an IFRS basis and those required to be met from local taxpayers and housing rents to meet the costs of General Fund and HRA services.

The net effect of these adjustments is an increase in costs of £5.7million to £202.1million.

Other income (Council Tax, business rates, Revenue Support Grant and other non specific grants) and expenditure (such as losses on disposal on non-current assets) not allocated to individual Council services produces a net credit of £164.0 million resulting in a net deficit on provision of services of £38.1 million, the figure reported in the CIES on page 5.

Other key financial disclosures

1 Revenue Reserves, including MRP Adjustment Reserve

As shown in Note 37 on Page 67 of the Accounts, the Council had revenue reserves at the end of 2015/16 of £100.478 million a decrease of £18.721 million on the level of revenue reserves at the end of 2014/15.

The chief reasons for the movements in the main balances are as follows (Full details are included in the Revenue Outturn report presented to Cabinet on 11 July):

HRA Balance – £7.204 million higher as a result of the outturn for the financial year.

MRP Adjustment Reserve – this balance is now nil (£34.783 million lower) – the balance in the reserve at the end of 2014/15 of £34.783 million came about as a result of changes to the profile of charges for the repayment of debt (known as the Minimum Revenue Provision or MRP) relating to pre 2007/08 debt. This reserve was created to cover the equivalent future cost which would eventually arise from re-profiling this debt in later years.

The Council has since evaluated whether any of the sum set aside could be prudently released early by taking an MRP holiday and concluded that a total of £14.592 million can be released in respect of the 2014/15 and 2015/16 financial years.

Following discussion with the Council's External Auditors it has been agreed that the balance of £20.191million still to be released at the end of 2015/16, should no longer be held in an earmarked reserve but should be held instead in the Capital Adjustment Account to which it has been transferred.

Newly created reserves

In order to de-risk the General Fund balance, approval has been given in the Revenue Outturn report to establish new earmarked reserves to cover specific financial risks. A total of £10.35 million has been set aside in the following reserves:

Insurance - £0.350 million to cover claims incurred but not yet reported to the Council and not taken account of in the Insurance Provision

Pensions Deficit - £6 million to cover the potential increase in back-funding contributions to the South Yorkshire Pension Scheme over the 3 years 2017/18 to 2019/20 following the 2017 actuarial valuation.

The back funding contributions are required to meet the Council's share of the deficit on the South Yorkshire Local Government Pension scheme and is the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services.

The deficit is highly sensitive to changes to key assumptions as illustrated by the fact that the deficit is estimated to have decreased from £369.8 million to £320.3 million during the year (as shown in Note 18 on page 44 of the accounts) and by the sensitivity analysis on page 46 of the accounts which shows that a 1 year increase in average life expectancy will increase the pensions liability by £24.1 million.

Discussions will be held with South Yorkshire Pension Scheme's actuaries on the run up to 2017 actuarial valuation to ensure that the most appropriate assumptions are used.

Transformation £5.151 million (£11.7 million lower) this reserve has been set aside for meeting the likely significant additional costs and potential liabilities facing the Council in order to help bring about a 'fit for purpose' Council, at the earliest opportunity. The reserve has reduced due to setting aside £6 million within the newly created Looked-After Children reserve and £8.394 million was committed to support the Council's 2015/16 Revenue Budget. These reductions have in part been offset by a contribution to the reserve of £2.539 million from Accounting and Technical Adjustments savings..

Business Rates - £4 million to cover residual risks relating to appeals, NHS trusts claim for charitable relief, and business closures.

This is in addition to the Council's share of the provision for appeals already charged to revenue at the end of 2015/16 of £5 million disclosed in Note 36 on page 64 of the accounts.

The £4 million reserve has been set aside, as although better appeals data now exists, the volatile and unpredictable nature of appeals, coupled with uncertainties around the future of the UK steel industry,.and, unforeseen claims by NHS bodies for 80% charitable relief, makes it prudent to future proof the Council against these risks should they crystallise.

2 Waste PFI

The Council's joint waste PFI contract with Barnsley MBC, Doncaster MBC and 3SE became operational in July 2015 and has been brought onto the balance sheet in accordance with the relevant accounting standard. This has resulted in the recognition of the Council's 30% share of the asset in PPE (£19.3 million) and a corresponding liability to cover the Council's obligation to pay the finance lease liability over the next 25 years. The carrying value of the liability (£13.5 million as at 31st March 2016 disclosed in Note 44e on page 76 of the accounts) is lower than the value of the asset to reflect the Council's agreed capital contribution of £5.8 million.

3 Better Care Fund

The Council entered a pooled budget arrangement with Rotherham CCG on 1st April 2015 to enable joint working under the NHS Act using the Better Care Fund (£23.2 million). The deployment of resources from the Fund are disclosed in Note 12 on page 28 of the accounts).

UNAUDITED

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2015/16

AUDIT OF ACCOUNTS 2015/16

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

Statement of Accounts 2015/16 Public Inspection Notice

Notice of the Commencement of the Period for the Exercise of Public Rights
Local Audit and Accountability Act 2014 Sections 26 and 27
Accounts and Audit (England) Regulations 2015 Regulations, 14 and 15

The period for the Exercise of Public Rights commences at 9.30am on Friday 1 July, 2016 and will conclude at 4pm on Thursday 11 August, 2016.

The following documents will be made available:

- The Unaudited Statement of Accounts
- The Annual Governance Statement
- The Narrative Report

The unaudited Statement of Accounts until the end of the public inspection period may be subject to change.

The above Council's accounts are subject to external audit by KPMG LLP, Timothy Cutler, 1, Sovereign Square, Sovereign Street, Leeds, LS1 4DA. Members of the public and local government electors have certain rights in the audit process:-

1. The period for the Exercise of Public Rights commences on Friday 1 July, 2016 and will conclude on Thursday 11 August, 2016 (between 9.30am and 4.00 pm Monday to Friday). Any person interested, on application to the Strategic Director of Finance and Customer Services, Resources Directorate, Riverside House, Main Street, Rotherham, S60 1AE, may inspect and make copies of the accounts of the above-named Council for the year ended 31 March, 2016, and all books, deeds, contracts, bills, vouchers and receipts relating thereto.

2. Notice is also given that on or after Friday 1 July, 2016 until Thursday 11 August, 2016, a local government elector for the area to which the accounts relate or his/her representative may ask any questions of the auditor. Please contact the auditor at the above address to make arrangements to ask any questions.

3. These rights do not permit a person to require disclosure of personal information as defined in section 26 of the Local Audit and Accountability Act 2014.

4. From 9.30am on Friday 1 July, 2016 until Thursday 11 August, 2016, a local government elector for the area of the Authority, or his/her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (schedule 7, Local Audit and Accountability Act 2014) and/or apply to the Court for a declaration that an item in the accounts is contrary to law (section 27, Local Audit and Accountability Act 2014). No such objection may be made unless the Auditor has previously received written notice of the objection and the grounds on which it is made and a copy of that notice has been provided to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council.

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

Wednesday 29 June 2016

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 Council, that officer is the Strategic Director of Finance and Customer Services;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

The Strategic Director of Finance and Customer Services Responsibilities

The Strategic Director of Finance and Customer 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 Strategic Director of Finance and Customer 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 Strategic Director of Finance and Customer 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.

Strategic Director of Finance and Customer 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 Council at 31 March 2016 and its income and expenditure for the year then ended.

Signed……………………………………………………………….

Judith Badger CPFA

Date………………………29 June 2016……..………………

Explanation of the Financial Statements

The Statement of Accounts summarises the Council’s financial performance during the year ended 31 March 2016 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 Council 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.

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Council and its chief financial officer for the accounts;

- **An explanation of the financial Statements** (Page 2) – which details the components of the Financial Statements;

- **A Statement of Accounting Policies** (Page 96) – 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 2015/16 financial statements are detailed on Page 96;

- **Financial Statements and related disclosure notes** – which are explained further below.

For the sake of clarity, the Accounts and Audit Regulations 2015 has clarified that the Annual Governance Statement does not form part of the Statement of Accounts although there is an expectation that it is published alongside the Statement of Accounts. The Council follows this practice.

To comply with the Accounts and Audit Regulations 2015 and the Code, the Narrative Report will be published alongside the Statement of Accounts.

Financial Statements

The Financial Statements report the Council’s financial performance for the year and its financial position.

The Council’s financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 5) – 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 6) – 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 9) – 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 81) – This Account summarises the income and expenditure in respect of the provision of local Council housing accommodation. Councils' are required by statute to account separately for all transactions relating to the cost of providing such accommodation.

- **Collection Fund Account** (Page 89) – 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 Council during the accounting period and the distribution of these funds.

The Council's financial position is reported through the:

- **Balance Sheet** (Page 8) - 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 financial statements described above include the income, expenditure, assets, liabilities, reserves and cash flows of local Council maintained schools within the control of the Council.

The Council's Financial Statements also include the Metropolitan Debt Administration statement (Page 92) 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.

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.

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	2014/15 Net Cost £000		Gross Expenditure £000	Gross Income £000	2015/16 Net Cost £000	Notes
			Continuing Operations				
101,557	(30,508)	71,049	Adult Social Care	110,791	(39,116)	71,675	
5,591	(3,196)	2,395	Central Services to the Public	5,253	(2,665)	2,588	
251,248	(179,914)	71,334	Education and Children Services	238,858	(158,405)	80,453	
16,136	(3,384)	12,752	Cultural and Related Services	13,968	(3,806)	10,162	
20,377	(5,178)	15,199	Environment and Regulatory Services	18,161	(5,667)	12,494	
7,099	(2,923)	4,176	Planning Services	5,559	(1,624)	3,935	
28,675	(3,171)	25,504	Highways and Transport Services	27,414	(3,027)	24,387	
68,072	(83,600)	(15,528)	Local Authority Housing (HRA)	71,356	(84,912)	(13,556)	
99,285	(95,514)	3,771	Other Housing Services	96,577	(92,649)	3,928	
13,990	(14,663)	(673)	Public Health	16,306	(16,036)	270	
4,704	(210)	4,494	Corporate and Democratic Core	5,179	(214)	4,965	
(7,439)	0	(7,439)	Non Distributed Costs	830	0	830	
609,295	(422,261)	187,034	Deficit on Continuing Operations	610,252	(408,121)	202,131	
127,028	(20)	127,008	Other Operating Expenditure	28,789	(6)	28,783	4
59,262	(16,019)	43,243	Financing and Investment Income and Expenditure	61,395	(16,940)	44,455	5
0	(252,827)	(252,827)	Taxation & Non-Specific Grant Income	0	(237,273)	(237,273)	7
795,585	(691,127)	104,458	Deficit on Provision of Services	700,436	(662,340)	38,096	
		(6,151)	(Surplus) on Revaluation of Non Current Assets			(16,902)	38b
		(1,177)	Write down of Met Debt			(1,295)	38a
		108,829	Remeasurements of assets and liabilities			(51,883)	18
		101,501	Other Comprehensive Income & Expenditure			(70,080)	
		205,959	Total Comprehensive Income & Expenditure			(31,984)	

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.

2014/15	General Fund (GF) Balance £000	Earmarked GF Reserves £000	Housing Revenue Account (HRA) £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 14 as restated	17,526	33,436	16,697	3,186	18,316	5,224	20,135	114,520	134,390	248,910	37/38
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(106,895)	0	2,437	0	0	0	0	(104,458)	0	(104,458)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(101,501)	(101,501)	
Total Comprehensive Income and Expenditure	(106,895)	0	2,437	0	0	0	0	(104,458)	(101,501)	(205,959)	
Adjustments between accounting basis & funding basis under regulations	151,980	0	1,594	0	5,404	(486)	(4,362)	154,130	(154,130)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	45,085	0	4,031	0	5,404	(486)	(4,362)	49,672	(255,631)	(205,959)	
Add: Transfers to/(from) Earmarked Reserves	(44,565)	47,751	0	(3,186)	0	0	0	0	0	0	2
Increase / (Decrease) in Year	520	47,751	4,031	(3,186)	5,404	(486)	(4,362)	49,672	(255,631)	(205,959)	
Increase / (Decrease) in Year consists of: Outurn	*520*										
	520										
Schools Balances transferred out on conversion to academy	*(762)*							(762)		(762)	
At 31 Mar 15	17,284	81,187	20,728	0	23,720	4,738	15,773	163,430	(121,241)	42,189	

2015/16	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 Apr 15	17,284	81,187	20,728	0	23,720	4,738	15,773	163,430	(121,241)	42,189	37/38
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(40,025)	0	1,929	0	0	0	0	(38,096)	0	(38,096)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	70,080	70,080	
Total Comprehensive Income and Expenditure	(40,025)	0	1,929	0	0	0	0	(38,096)	70,080	31,984	
Adjustments between accounting basis & funding basis under regulations	14,392	0	5,276	0	1,288	(864)	(5,167)	14,925	(14,925)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	(25,633)	0	7,205	0	1,288	(864)	(5,167)	(23,171)	55,155	31,984	
Add: Transfers to/(from) Earmarked Reserves	24,183	(24,183)	0	0	0	0	0	0	0	0	2
Increase / (Decrease) in Year	(1,450)	(24,183)	7,205	0	1,288	(864)	(5,167)	(23,171)	55,155	31,984	
Increase / (Decrease) in Year consists of: Outturn	*(203)*										
	(1,247)										
Use of General Fund for carry forwards and school balances	(1,247)										
Schools Balances transferred out on conversion to academy	(292)							(292)		(292)	
At 31 Mar 16	15,542	57,004	27,933	0	25,008	3,874	10,606	139,967	(66,086)	73,881	

Balance Sheet

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) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council 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”.

2014/15 £000		2015/16 £000	Notes
989,404	Property, Plant and Equipment	1,007,356	19
6,952	Heritage Assets	6,952	23
31,427	Investment Property	32,152	20
2,803	Intangible Assets	2,558	21
190	Long Term Investments	190	30
10,397	Long Term Debtors	9,610	33
1,041,173	Long Term Assets	1,058,818	
18,668	Short Term Investments	34	24
1,458	Assets Held For Sale	629	22
748	Inventories (Stock)	747	31
42,687	Short Term Debtors	43,564	33
25,916	Cash and Cash Equivalents	21,549	34
89,477	Current Assets	66,523	
(36,141)	Bank Overdraft	(34,202)	34
(26,693)	Short Term Borrowing	(21,354)	24
(59,214)	Short Term Creditors	(56,411)	35
(7,676)	Short Term Provisions	(6,540)	36
(129,724)	Current Liabilities	(118,507)	
(6,026)	Long Term Provisions	(7,527)	36
(716)	Long Term Creditors	(522)	35
(446,597)	Long Term Borrowing	(459,306)	24
(502,560)	Other Long Term Liabilities	(463,118)	50
(2,839)	Capital Grants Receipts in Advance	(2,481)	8
(958,738)	Long Term Liabilities	(932,954)	
42,188	Net Assets	73,880	
(163,430)	Usable Reserves	(139,966)	37
121,242	Unusable Reserves	66,086	38
(42,188)	Total Reserves	(73,880)	

In accordance with the Accounts and Audit Regulations 2015, section 15.2, the status of Rotherham Metropolitan Borough Council’s statement of accounts is unaudited and the statement of accounts as published may be subject to change.

Cash Flow Statement

	2014/15 £000	2015/16 £000	Notes
Deficit on the provision of services	104,458	38,096	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(179,933)	(68,803)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40,545	20,671	39
Net cash inflows from Operating Activities	(34,930)	(10,036)	
Investing Activities	24,677	18,518	40
Financing Activities	8,325	(6,054)	41
Net decrease in cash and cash equivalents	(1,928)	2,428	
Cash and cash equivalents at the beginning of the reporting period	(12,153)	(10,225)	34
Cash and cash equivalents at the end of the reporting period	(10,225)	(12,653)	34

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	Movements in Usable Reserves 2014/15					
	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	17,415	27,546	0	0	0	(44,961)
Amortisation of intangible assets	601	0	0	0	0	(601)
Revaluation losses on Property, Plant and Equipment	11,797	(8,965)	0	0	0	(2,832)
Capital grants and contributions applied	(25,938)	(154)	0	0	(4,362)	30,454
Revenue expenditure funded from capital under statute	6,188	0	0	0	0	(6,188)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	122,425	(1,709)	14,253	0	0	(134,969)
Statutory provision for the financing of capital investment	25,501	0	0	0	0	(25,501)
Capital expenditure charged against the General Fund and HRA balances	(1,279)	(8,513)	0	0	0	9,792
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,613)	0	0	4,613
Use of the Capital Receipts Reserve to repay debt	0	0	(2,531)	0	0	2,531
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,707	0	(1,707)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	2	0	0	(2)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(6,585)	0	6,585	0	(0)
HRA depreciation to capital adjustment account	0	0	0	13,321	0	(13,321)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(20,392)	0	20,392
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	(26)	90	0	0	0	(64)

	Movements in Usable Reserves 2014/15 continued					
	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)	22,470	814	0	0	0	(23,284)
Employer's pension contributions and direct payments to pensioners payable in the year	(25,612)	(929)	0	0	0	26,541
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	(2,952)	0	0	0	0	2,952
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	(317)	(1)	0	0	0	318
Total Adjustments	151,980	1,594	5,404	(486)	(4,362)	(154,130)

	Movements in Usable Reserves 2015/16					
	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	18,284	20,969	0	0	0	(39,253)
Amortisation of intangible assets	858	0	0	0	0	(858)
Revaluation losses on Property, Plant and Equipment	(3,478)	(2,148)	0	0	0	5,626
Capital grants and contributions applied	(13,530)	(621)	0	0	(5,167)	19,318
Revenue expenditure funded from capital under statute	5,464	0	0	0	0	(5,464)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	23,999	(1,880)	6,317	0	0	(28,436)
Statutory provision for the financing of capital investment	(25,530)	0	0	0	0	25,530
Capital expenditure charged against the General Fund and HRA balances	(650)	(4,572)	0	0	0	5,222
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(3,091)	0	0	3,091
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,942	0	(1,942)	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	(7,098)	0	7,098	0	0
HRA depreciation to capital adjustment account	0	0	0	12,970	0	(12,970)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(20,932)	0	20,932
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	(28)	130	0	0	0	(102)

	Movements in Usable Reserves 2015/16 continued					
	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)	37,238	1,602	0	0	0	(38,840)
Employer's pension contributions and direct payments to pensioners payable in the year	(25,623)	(1,103)	0	0	0	26,726
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	(2,909)	0	0	0	0	2,909
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	(1,645)	(3)	0	0	0	1,648
Total Adjustments	14,392	5,276	1,288	(864)	(5,167)	(14,925)

Note 2 Transfers to and from Earmarked Reserves

	Bal at 1 Apr 14 £000	Reclassified 2014/15 £000	Trans out 2014/15 £000	Trans in 2014/15 £000	Bal at 31 Mar 15 £000	Trans between Reserves 2015/16 £000	Trans out 2015/16 £000	Trans in 2015/16 £000	Bal at 31 Mar 16 £000
General Fund									
Insurance	251	0	0	0	251	0	(5)	0	246
Insurance Fund Reserve	0	0	0	0	0	250	0	100	350
Commutation Adjustment	8,394	(8,394)	0	0	0	0	0	0	0
Transformation Reserve	0	8,394	0	8,457	16,851	(8,168)	(8,841)	5,309	5,151
Buisness Rate Reserve	0	0	0	0	0	4,000	0	0	4,000
Pensions Deficit Reserve	0	0	0	0	0	6,000	0	0	6,000
Revenue Grants Reserve	7,818	0	(2,619)	4,767	9,966	0	(6,174)	10,179	13,971
Local Authority Energy Fund (LAEF)	119	0	(109)	56	66	0	(6)	71	131
Museum	34	0	0	0	34	0	0	0	34
Rotherham Economic Regeneration (RERF)	53	0	(53)	75	75	0	0	0	75
Maintenance of Buildings	345	0	(84)	59	320	0	(23)	136	433
Managed Workspace Repairs & Renewals	150	0	(50)	86	186	0	(32)	39	193
PFI - Waste	0	0	0	0	0	0	0	1,618	1,618
PFI – Leisure	1,214	0	(308)	0	906	0	(84)	0	822
Schools Declared Savings	151	0	(16)	0	135	0	(98)	0	37
PFI - Schools	13,947	0	(2,240)	1,304	13,011	0	(1,613)	800	12,198
Looked-After Children Reserve	0	0	0	0	0	6,000	0	0	6,000
Academy Conversion Reserve	0	0	0	0	0	1,200	0	0	1,200
Housing Improvement Programme	10	0	0	0	10	0	0	0	10
Aston CSC Repair / Maintenance Fund	80	0	0	20	100	0	0	20	120
Kimberworth The Place Repairs / Maintenance Fund	20	0	(20)	5	5	0	0	5	10
Riverside House Repairs / Maintenance Fund	129	0	0	51	180	0	0	52	232
EMS Implementation Fund	149	0	(30)	38	157	0	0	38	195
EIC Partnership Reserve	572	0	(164)	0	408	0	(408)	0	0
Furnished Homes	0	3,186	0	557	3,743	(180)	(495)	208	3,276
MRP adjustment Reserve	0	0	0	34,783	34,783	(9,282)	(25,501)	0	0
Selective Licensing Reserve	0	0	0	0	0	180	0	522	702
Total	33,436	3,186	(5,693)	50,258	81,187	0	(43,280)	19,097	57,004
Housing Revenue Account									
Furnished Homes	3,186	(3,186)	0	0	0	0	0	0	0
Total	3,186	(3,186)	0	0	0	0	0	0	0
Total General Fund & HRA	36,622	0	(5,693)	50,258	81,187	0	(43,280)	19,097	57,004

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 expenditure in 2015/16. A brief description of the purpose of each reserve is provided as follows.

(i) Insurance Reserve

This reserve has been set up to cover claims incurred but not yet reported to the Council and not taken account of in the Insurance Provision.

(ii) Insurance Fund Reserve

The majority of this reserve relates to insurance settlement money in respect of Museum and Art Collections, with a small residual balance in respect of Leisure and Green Spaces.

(iii) Transformation Reserve

The Transformation Reserve is to be used to meet the likely significant additional costs and potential liabilities facing the Council in order to help bring about a “fit for purpose” Council, at the earliest opportunity.

(iv) Business Rates Reserve

This reserve is to cover residual risks relating to appeals, NHS trusts claim for charitable relied and business closures.

(v) Pension Deficit Reserve

The Pension Deficit Reserve is to be used to cover the potential increase in back-funding contributions to the South Yorkshire Pension Scheme over the 3 years 2017/18 to 2019/20 following the 2017 actuarial valuation.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) PFI – Waste

This PFI arrangement will last for 25 years. 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 62% of the Unitary Charge payment is indexed, the remaining 38% being fixed. As the PFI revenue grant support is fixed, the Council's budgetary contributions as a proportion of income increase over time.

(xiii) 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.

(xiv) Schools Declared Savings

Under the Council's Scheme for the Local Management of Schools, all Primary, Secondary and Special Schools are allowed to invest, internally with the Council, 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.

(xv) 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.

(xvi) Looked-After Children

This has been set up to support the Council's Revenue Budget on a £3m, £2m and £1m basis over the three financial years, 2016/17 to 2018/19.

(xvii) Academy Conversion

This reserve has been created to manage the potential financial impact of schools converting to Academy status.

(xviii) 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 2014/15.

(xix) Aston CSC Repair & Maintenance Fund

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

(xx) Kimberworth The Place Repairs & Maintenance Fund

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

(xxi) Riverside Repairs & 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.

(xxii) 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.

(xxiii) EIC Partnership Reserve

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

(xxiv) Furnished Homes Reserve

The Rotherham Furnished Homes Scheme offers a range of furniture and other household goods to tenants to assist them in establishing and sustaining their home in exchange for an additional service charge. The scheme was transferred from the HRA to the General Fund on 1 April 2014 in order to maximise the Scheme's flexibility and capacity to respond to the changing circumstances brought about by welfare reform and the introduction in 2012/13 of HRA self-financing. The reserve is being used to provide financial resilience for the existing scheme, to support any future expansion of the service, and, to meet additional financing costs in future years following the capitalisation of furniture purchases with effect from 2014/15.

(xxv) MRP Adjustment Reserve

The reserve was created from the re-profiling of charges to revenue relating to pre 2007/08 debt. Its purpose was to cover the future revenue impact of higher revenue charges that will arise under the revised MRP profile in later years.

(xxvi) Selective Licensing

This reserve has been created in line with the requirement for the service to be self-financing.

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
2014/15										
Fees, charges & other service income	(15,803)	(6,420)	(50,828)	(8,125)	(37,020)	(13,861)	(40,140)	(86,240)	(487)	(258,924)
Government Grants	(17,803)	(145,773)	(2,795)	(50)	(130)	(94,056)	(16,339)	0	(14,176)	(291,122)
Total Income	(33,606)	(152,193)	(53,623)	(8,175)	(37,150)	(107,917)	(56,479)	(86,240)	(14,663)	(550,046)
Employee Expenses	42,574	115,684	34,583	7,476	25,654	18,047	2,050	7,151	1,483	254,702
Other Operating expenses	40,182	33,602	48,116	3,823	81,470	104,687	81,657	76,592	12,898	483,027
Central Dept. & Tech. Support	386	3,531	14,892	58	0	2	(966)	(1,533)	282	16,652
Total Operating Expenses	83,142	152,817	97,591	11,357	107,124	122,736	82,741	82,210	14,663	754,381
Revenue outturn	49,536	624	43,968	3,182	69,974	14,819	26,262	(4,030)	0	204,335
2015/16										
Fees, charges & other service income	(23,717)	(5,691)	(58,150)	(5,599)	(39,154)	(13,632)	(26,216)	(88,266)	(506)	(260,931)
Government Grants	(21,162)	(123,195)	(9,313)	(164)	(2,764)	(91,860)	(16,788)	(3)	(15,530)	(280,779)
Total Income	(44,879)	(128,886)	(67,463)	(5,763)	(41,918)	(105,492)	(43,004)	(88,269)	(16,036)	(541,710)
Employee Expenses	55,242	101,313	30,349	4,573	25,682	19,809	1,406	7,252	1,435	247,061
Other Operating expenses	51,010	25,139	67,188	1,994	83,027	104,059	51,140	71,288	14,407	469,252
Central Dept. & Tech. Support	194	3,226	15,445	58	1,602	25	(1,592)	2,525	312	21,795
Total Operating Expenses	106,446	129,678	112,982	6,625	110,311	123,893	50,954	81,065	16,154	738,108
Revenue outturn	61,567	792	45,519	862	68,393	18,401	7,950	(7,204)	118	196,398

Included within schools employee expenses in 2015/16 is £26.296m (2014/15 £26.115m) relating to local Council maintained faith schools and foundation schools

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

	2014/15 £000	2015/16 £000
Net expenditure in the Directorate Analysis	204,335	196,398
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate analysis	25,899	28,941
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(43,200)	(23,208)
Cost of Services in Comprehensive Income and Expenditure Statement	187,034	202,131

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

2014/15	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	(258,132)	14,420	49,110	46,791	(147,811)	(74,889)	(222,700)
Surplus on Trading Activities	0	0	0	0	0	(470)	(470)
Interest & Investment Income	(792)	0	792	0	(0)	(707)	(707)
Income from Council Tax	0	0	0	0	0	(85,931)	(85,931)
Government Grants & Contributions	(291,122)	(1,861)	18,533	0	(274,450)	(106,869)	(381,319)
Total Income	(550,046)	12,559	68,435	46,791	(422,261)	(268,866)	(691,127)
Employee expenses	254,702	(15,568)	(45,032)	0	194,102	7,142	201,244
Other service expenses	454,832	7,676	(44,636)	(46,791)	371,081	6,780	377,861
Depreciation, amortisation and impairments	22,010	21,232	870	0	44,112	11,430	55,542
Interest payments	20,539	0	(20,539)	0	0	33,930	33,930
Precepts and levies	2,298	0	(2,298)	0	(0)	4,411	4,411
Payments to Housing Capital receipts pool	0	0	0	0	0	1,707	1,707
Gain or loss on disposal of Non Current Assets	0	0	0	0	0	120,812	120,812
Revaluation Loss Assets Held for Sale	0	0	0	0	0	78	78
Total Expenditure	754,381	13,340	(111,635)	(46,791)	609,295	186,290	795,585
(Surplus) or Deficit on the provision of services	204,335	25,899	(43,200)	0	187,034	(82,576)	104,458

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

2015/16	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	(260,323)	14,460	41,782	51,455	(152,626)	(64,171)	(216,797)
Surplus on Trading Activities	0	0	0	0	0	1,221	1,221
Interest & Investment Income	(608)	0	608	0	0	(513)	(513)
Income from Council Tax	0	0	0	0	0	(88,974)	(88,974)
Government Grants & Contributions	(280,779)	1,772	23,512	0	(255,495)	(101,782)	(357,277)
Total Income	(541,710)	16,232	65,902	51,455	(408,121)	(254,219)	(662,340)
Employee expenses	247,061	503	(43,672)	0	203,892	23,791	227,683
Other service expenses	438,775	2,444	(25,099)	(51,455)	364,665	(7,195)	357,470
Depreciation, amortisation and impairments	30,865	9,762	1,068	0	41,695	11,382	53,077
Interest payments	19,073	0	(19,073)	0	0	33,423	33,423
Precepts and levies	2,334	0	(2,334)	0	0	4,563	4,563
Payments to Housing Capital receipts pool	0	0	0	0	0	1,942	1,942
Gain or loss on disposal of Non Current Assets	0	0	0	0	0	22,119	22,119
Revaluation Loss Assets Held for Sale	0	0	0	0	0	159	159
Total Expenditure	738,108	12,709	(89,110)	(51,455)	610,252	90,184	700,436
(Surplus) or Deficit on the provision of services	196,398	28,941	(23,208)	0	202,131	(164,035)	38,096

Note 4 Other Operating Expenditure

2014/15 £000		2015/16 £000	Notes
2,113	Parish Council precepts	2,228	
2,298	Levies payable	2,335	
1,707	Payments to the Government Housing Capital Receipts Pool	1,942	
120,812	Loss on disposal of non current assets	22,119	49
78	Revaluation loss on disposal of Assets Held for Sale - current assets	159	22
127,008	Total	28,783	

Note 5 Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000	Notes
33,930	Interest payable and similar charges	33,423	26
11,494	Net interest on the net defined benefit liability (asset)	11,731	18
(707)	Interest receivable and similar income	(513)	26
(1,004)	Income and expenditure relating to Investment Properties and changes in their fair value	(1,407)	20
(470)	(Surplus) / Deficit on Trading undertakings	1,221	6
43,243	Total	44,455	

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 Council. 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 Council during the year are as follows:

2014/15				2015/16		
Expenditure £000	Income £000	(Surplus) / Deficit £000		Expenditure £000	Income £000	(Surplus) / Deficit £000
19,913	(19,589)	324	Construction, Street Cleansing and Landscaping	21,891	(21,322)	569
2,565	(2,489)	76	Vehicle Maintenance	2,897	(2,857)	40
2,152	(2,658)	(506)	Property Services – Fee-billing	2,265	(2,290)	(25)
751	(1,000)	(249)	Engineering – Fee-billing	786	(893)	(107)
5,093	(5,108)	(15)	Cleaning of buildings	5,698	(5,360)	338
911	(1,014)	(103)	Markets	978	(1,013)	(35)
380	(396)	(16)	Building Regulations Control	349	(359)	(10)
10,339	(10,323)	16	School Support Services	10,746	(10,296)	450
77	(74)	3	Dispersed & Furnished Units	79	(78)	1
42,181	(42,651)	(470)	(Surplus) / Deficit	45,689	(44,468)	1,221

The net deficit for the year on traded services of £1.221m 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 deficit of £1.221m is after debiting £0.680m for IAS19 pension costs (2014/15 £0.188m credit). 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 Rotherham MBC. 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 Council 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

2014/15 £000		2015/16 £000	Notes
85,931	Council Tax Income	88,974	
36,940	Non Domestic Rates	36,208	
24,391	Business Rates grants	25,395	
82,446	Non Ring-fenced government grants	76,365	8
23,119	Capital Grants and Contributions	10,331	8
252,827	Total	237,273	

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:

2014/15 £000		2015/16 £000
70,112	Revenue Support Grant	50,925
8,033	PFI Grant	10,045
4,301	Other Non Specific Revenue Grants	15,395
82,446	Total	76,365

Capital Grants Credited to Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
11,825	Department for Transport	7,048
145	Environment Agency	80
615	European Regional Development Fund	589
1,901	Education Funding Agency: LA Maintained Maintenance Grant	2,157
1,682	Education Funding Agency: Basic Need Pupil Places	523
661	Education Funding Agency: LA Maintained Devolved Formula	421
4,357	Education Funding Agency: Targeted Basic Need	0
598	Education Funding Agency: Universal Infant Free School Meals	0
738	Department of Health	749
0	S106 Contributions	297
516	Department for Communities and Local Government	(1,788)
81	Other Local Authorities and Partners	255
23,119		10,331

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

2014/15 £000		2015/16 £000
142,984	Dedicated Schools Grant (Note 16)	124,645
89,807	Housing and Council Tax Benefit: subsidy	89,073
3,995	Sixth Form Funding	3,115
748	Troubled Families & Troubled Families Co-ordinator	781
10,479	Pupil Premium	9,070
1,832	Housing Benefit and Council Tax Benefit Administration	1,763
773	Social Fund (FFC)	0
3,831	Education Services Grant	0
540	Youth Offending Teams Grant	492
329	Rotherham Music Hub	506
223	Adoption Reform Grant	0
670	Adult Community Learning Grants	521
1,559	Universal Free School Meals	2,166
312	SEN Reform Grant	0
0	Transformation Challenge Award	546
171	Year 7 Catch Up Premium	128
0	SEND Implementation Grant (New Burdens)	150
526	Local Sustainable Transport Fund	611
125	Care Act	1,297
120	Helping People Home Grant	40
6,166	Social Care Funding	6,166
4,003	Other NHS Funding (including Better Care Fund)	3,773
243	Local Reform & Community Voices Grant	181
0	Independent Living Fund	1,254
14,176	Public Health Funding	15,316
0	Deprivation of Liberty Safeguards (DoLs)	144
265	Police and Crime Commission	232
453	Disabled Facilities Grant	605

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 15 £000		31 Mar 16 £000
2,839	Section 106 Developer Contributions	2,481
2,839	Total	2,481

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	2014/15 £000		Income £000	Expenditure £000	2015/16 £000
(98)	42	507	Culture and Leisure – General Fund	(73)	62	518
(1,583)	366	2,199	Other – General Fund	(282)	607	1,874
0	0	133	HRA	0	44	89
(1,681)	408	2,839	Total	(355)	713	2,481

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in 2015/16.

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:

2014/15 £000		2015/16 £000
(1,698)	Gross income	(1,867)
1,697	Gross expenditure	1,867
(1)	(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 a pooled budget arrangement with Rotherham Clinical and Commissioning Group (RCCG) (formerly, NHS Rotherham) in respect of the Better Care Fund to enable joint working under section 75 of the National Health Service Act 2006.

The Better Care Fund is split into two Pools. RMBC host Pool 1 with a value of £10.071m, which includes the former Intermediate Care and Equipment pooled budgets together with Occupational Therapy services, falls prevention, jointly commissioned integrated services and management of the Disabled Facilities grant funding. The RCCG host Pool 2 with a value of £13.245m.

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

2014/15 £000	Better Care Fund - Pool 1 RMBC	2015/16 £000
0	Rotherham CCG	(6,401)
0	Rotherham MBC - Capital	(1,968)
0	Rotherham MBC - Revenue	(1,702)
0	Total Gross Income	(10,071)
0	Capital Expenditure	1,968
0	Revenue Expenditure	7,497
0	Total Gross Expenditure	9,465
0	Over / (Under) spend	(606)
0	Transfer / use of balances	606
0	Net Balance as at 31 March 2016	0

2014/15 £000	Better Care Fund - Pool 2 RCCG	2015/16 £000
0	Rotherham CCG	(13,245)
0	Rotherham MBC	0
0	Total Gross Income	(13,245)
0	Revenue Expenditure	12,711
0	Total Gross Expenditure	12,711
0	Over / (Under) spend	(534)
0	Transfer / use of balances	534
0	Net Balance as at 31 March 2016	0

Note 13 Members' Allowances

Members' allowances and expenses during the year totalled £892,098 excluding Joint Council allowances (2014/15 £1,054,380 excluding Joint Council allowances). The employers' pension contributions associated with these allowances was £17,020 (2014/15 £48,455). In the light of the Professor Jay Report on 26 August 2014 and subsequent Corporate Governance Report, Members' allowances and Cabinet Member appointments have been subject to change whilst Commissioners have performed certain functions and oversaw actions which the Council would normally carryout. Detailed information about Members' Allowances can be obtained from the Strategic Director of Finance and Customer Services, Finance and Customer Services Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

2014/15 £000		2015/16 £000
757	Basic allowance	732
298	Special responsibility allowances	159
0	Travel	1
1,055	Total Members' Allowances and Expenses	892
48	Employer Pension Costs	17
1,103	Total	909

Note 14 Staff Remuneration

The Accounts and Audit Regulations 2015 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 2015/16 payroll information, expressed in bands of £5,000 is as follows:

2014/15			2015/16	
Officers Total	Teachers Total		Officers Total	Teachers Total
26	30	£50,000 - £54,999	28	25
15	18	£55,000 - £59,999	19	22
5	16	£60,000 - £64,999	12	6
4	6	£65,000 - £69,999	11	13
0	3	£70,000 - £74,999	3	2
1	4	£75,000 - £79,999	1	3
6	2	£80,000 - £84,999	5	2
0	4	£85,000 - £89,999	0	2
0	0	£90,000 - £94,999	0	0
0	0	£95,000 - £99,999	1	0
0	1	£100,000 - £104,999	0	0
0	1	£105,000 - £109,999	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 2015/16, the number of such employees was 21 (20 officers and 1 teacher).

The above table excludes the senior employees whose remuneration for 2014/15 and 2015/16 are shown in the Strategic Leadership Team note overleaf:

Strategic Leadership Team Remuneration 2014/15

Job Title/Employee	Salary 2014/15 £	Additional Payments 2014/15 £	Compensation & Ex-gratia 2014/15 £	Total remuneration excluding employer pension contributions 2014/15 £	Pension employer contribution Refer to Note (viii) 2014/15 £
Strategic Leadership Team (who were Members during all or part of the year):					
Martin Kimber - Chief Executive	92,978.62	0.00	26,666.66	119,645.28	0.00
Jan Ormondroyd - Interim Chief Executive	68,596.29	0.00	0.00	68,596.29	0.00
Strategic Director of Children and Young People's Services	56,476.62	0.00	40,000.00	96,476.62	6,946.62
Interim Strategic Director of Children and Young People's Services	36,250.02	0.00	0.00	36,250.02	4,458.75
Strategic Director of Neighbourhoods and Adults Services	84,714.93	0.00	0.00	84,714.93	10,419.94
Strategic Director of Environment and Development Services	112,953.24	0.00	0.00	112,953.24	13,893.25
Director of Health and Wellbeing	22,314.43	0.00	0.00	22,314.43	2,744.67
Director of Public Health	68,134.68	20,340.87	0.00	88,475.55	11,902.83
Director of Legal and Democratic Services	81186.77	2,027.40	0.00	83,214.17	10,235.34
Director of Safeguarding Children and Families	18,897.34	0.00	0.00	18,897.34	2,324.37
Interim Strategic Director of Resources and Transformation	33,115.22	0.00	0.00	33,115.22	4,073.17
Director of Financial Services	57,179.92	1,427.90	0.00	58,607.82	7,208.76
Director of Human Resources	81,193.82	0.00	0.00	81,193.82	9,986.84
Total	813,991.90	23,796.17	66,666.66	904,454.73	84,194.54

Strategic Leadership Team Remuneration 2015/16

Job Title/Employee	Salary 2015/16 £	Additional Payments 2015/16 £	Compensation & Ex-gratia 2015/16 £	Total remuneration excluding employer pension contributions 2015/16 £	Pension employer contribution Refer to Note (viii) 2015/16 £
Strategic Leadership Team (who were Members during all or part of the year):					
Sharon Kemp- Chief Executive - Refer to Note (i)	32,688.17	0.00	0.00	32,688.17	4,020.64
Assistant Chief Executive - Refer to Note (ii)	8,083.33	0.00	0.00	8,083.33	994.25
Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	113,384.04	31,616.04	0.00	145,000.08	17,835.01
Strategic Director of Regeneration and Environment - Refer to Note (iv)	85,038.03	0.00	0.00	85,038.03	10,459.68
Interim Strategic Director of Regeneration and Environment - Refer to Note (iv)	42,240.00	0.00	0.00	42,240.00	0.00
Interim Director of Public Health - Refer to Note (v)	20,853.51	2,615.62	0.00	23,469.13	3,268.55
Director of Public Health - Refer to Note (v)	62,499.53	9,278.19	0.00	71,777.72	10,264.19
Interim Strategic Director of Adult Care and Housing - Refer to Note (vi)	149,200.00	0.00	0.00	149,200.00	0.00
Director of Legal Services - Refer to Note (vii)	27,573.32	699.46	0.00	28,272.78	3,477.55
Interim Director of Legal Services - Refer to Note (vii)	82,125.00	0.00	0.00	82,125.00	0.00
Assistant Director of Legal Services - refer to Note (vii)	5,559.14	0.00	0.00	5,559.14	683.77
Acting Strategic Director of Finance and Customer Services	113,384.04	0.00	0.00	113,384.04	13,946.24
Director of Human Resources - Refer to Note (viii)	6,893.33	0.00	0.00	6,893.33	847.88
Total	749,521.44	44,209.31	0.00	793,730.75	65,797.76

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 2015, including any other employees whose salary exceeds £150,000.

Notes:

(i) Sharon Kemp commenced her employment as the Chief Executive on 18 January 2016.

(ii) The Assistant Chief Executive commenced their employment on 1 March 2016.

(iii) The Interim Strategic Director of Children and Young People's Services was appointed to the substantive role of the Strategic Director of Children and Young People's Services with effect from 26 November 2015.

(iv) The Strategic Director of Regeneration and Environment left the Council on 31 December 2015. An Interim Strategic Director of Regeneration and Environment was appointed from 1 January 2016. This officer's monetary payment has been included in the Senior Officers

Disclosure even though this officer is not regarded as an employee of the Council under employment law.

(v) An Interim Director of Public Health was appointed on 1 April 2015 to fulfil the statutory role, until the new Director of Public Health commenced their employment on 29 June 2015. The additional payments made to the Interim Director and Director of Public Health represents various allowances to which they are contractually entitled to.

(vi) An Interim Strategic Director of Adult Care and Housing commenced their period of engagement on 1 April 2015 to fulfil the statutory role. This officer's monetary payment has been included in the Senior Officers Disclosure even though this officer is not regarded as an employee of the Council under employment law.

(vii) The Director of Legal Services left the Council on 31 July 2015 and during their employment received an additional pro rata payment in recompense for fulfilling the statutory role of Monitoring Officer. An Interim Director of Legal Services was appointed from 1 August 2015 until 11 March 2016 to fulfil the statutory role. This officer's monetary payment has been included in the Senior Officers Disclosure even though this officer is not regarded as an employee of the Council under employment law. A permanent Assistant Director of Legal Services commenced their employment on 7 March 2016.

(viii) The Director of Human Resources left the Council on 30 April 2015. This post has been deleted from the establishment.

(ix) The LGPS Employer Pension contributions disclosed in 2014/15 and 2015/16 are based on the common rate of contribution set by the Actuary of 12.3 percent and 12.6 percent respectively. 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 14.3 percent.

During the year the Council created a new Directorate, Assistant Chief Executive Directorate and changed the following Directorate / Services names:

- Environmental Development Services to Regeneration and Environment Directorate;
- Legal and Democratic Service to Legal Services;
- Neighbourhoods and Adults Services to Adult Care and Housing Directorate; and
- Resources and Transformation to Finance and Customer Services Directorate.

Commissioners

A team of Commissioners was appointed by the Secretary of State for Communities and Local Government on 26 February 2015 to take over responsibility for discharging the Executive and Licensing functions of the Council. The Commissioners perform certain functions and oversee actions which the Council is to perform but are not employees of the Council. They are instead accountable to the Secretary of State. The team comprises:

Sir Derek Myers (Lead Commissioner)

Stella Manzie CBE (Managing Director Commissioner) (left the Council on 29 February 2016)

Malcolm Newsam (Children's Social Care Commissioner)

Mary Ney (Supporting Commissioner)

Julie Kenny CBE (Supporting Commissioner)

The Commissioners other than the Managing Director Commissioner are nominated for the period beginning on 26 February 2015 and ending on 31 March 2019 or such earlier time as the Secretary of State for Communities and Local Government determines.

The fees payable by the Council to the Commissioners for discharging their duties has been determined by the Secretary of State for Communities and Local Government. The agreed fees are £800 a day for the Lead Commissioner and £700 a day for other Commissioners except the Managing Director Commissioner. He has determined for the Managing Director Commissioner a fee of £160,000 per annum is to be paid.

The Commissioners were paid fees of £462,217 (2014/15 £53,062) for services rendered for the period 1 April 2015 to 31 March 2016. Business expenses of £31,030 (2014/15 £2,821) were incurred by the Commissioners over the same period in carrying out these services. Employers national insurance contributions on these fees and expenses are being met by the Council.

(x) Further disclosure for exit packages

In order to bring about a structured approach to reducing staff numbers to achieve necessary budget savings, the Council has continued to operate a voluntary severance scheme during 2015/16. 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 in respect of individuals who left during 2015/16 but who are paid in 2016/17 and those staff who's severance was approved and agreed and to which the Council was committed at 31 March 2016 but who are planned to leave in 2016/17.

In 2015/16, a provision of £0.1m in respect of severance costs associated with the major restructuring of services was made, based on an average estimated cost of departure. It was not possible to ascribe the group of staff to specific cost bandings. No provision for severance costs was made in 2014/15.

These changes are reflected in the total cost of termination benefits shown in Note (xi) 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	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£0 - £20,000	24	27	119	107	143	134	909	1,052
£20,001 - £40,000	0	6	23	25	23	31	604	872
£40,001 - £60,000	2	0	5	10	7	10	349	444
£60,001 - £80,000	0	0	5	7	5	7	348	462
£80,001 - £100,000	0	0	2	9	2	9	173	815
£100,001 - £150,000	0	0	0	1	0	1	0	119
£150,001 - £200,000	0	0	0	1	0	1	0	153
Total	26	33	154	160	180	193	2,383	3,917

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	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£0 - £20,000	7	13	63	39	70	52	412	339
£20,001 - £40,000	2	1	2	3	4	4	124	106
£40,001 - £60,000	0	0	1	0	1	0	50	0
£60,001 - £80,000	0	0	1	0	1	0	71	0
Total	9	14	67	42	76	56	657	445

N.B. The above figures include 8 settlement agreements including a Tribunal payment entered into to terminate the employment relationship with the School/Council.

(xi) Termination Benefits

As part of the rationalisation of Council services during 2015/16, 249 employees (2014/15 256) 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, and Voluntary Redundancy etc.).

The liabilities incurred as a result of the early termination of employees both in schools and non-schools in 2015/16 totalled £4.36m (2014/15 £3.04m) - composed of severance payments of £2.37m (2014/15 £1.93m) and £0.69m (2014/15 £0.37m) in pensions strain costs. A further £1.34m of these pension strain costs will be paid over to the South Yorkshire Local Government Pension Scheme in 2016/17 and 2017/18 as they fall due and become chargeable to revenue (2014/15 £0.74m).

Note 15 External Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2014/15 £000		2015/16 £000
186	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	141
16	Fees payable to KPMG for the certification of grant claims and returns	16
8	Other - independent Review of South Yorkshire Digital Region Limited	0
210	Total	157

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 Council wide basis and for the Individual Schools Budget (ISB), 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 shown overleaf:

2014/15				2015/16		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		216,640	Final DSG before Academy recoupment			218,554
		(73,914)	Less Academy figure recouped			(93,915)
		142,726	Total DSG after Academy recoupment			124,639
		1	Brought forward from previous year			1,036
16,919	125,808	142,727	Agreed initial Budgeted Distribution	16,409	109,266	125,675
258	0	258	In Year Adjustments	0	6	6
17,177	125,808	142,985	Final Budgeted Distribution	16,409	109,272	125,681
(18,109)		(18,109)	Less actual Central expenditure	(17,456)		(17,456)
	(123,840)	(123,840)	Less actual ISB deployed to schools		(108,201)	(108,201)
(932)	1,968	1,036	Carry forward to next year	(1,047)	1,071	24

In Year Adjustments:

	£
Early Years Jan 15 census Adjustment 2014/15 (3&4 year old)	(163,000)
Estimated Early Years Jan 16 census Adjustment 2015/16 (3&4 year old)	155,780
Estimated Early Years Jan 16 census Adjustment 2015/16 (2 year old)	37,628
Estimated Early Years Pupil Premium Adjustment 2015/16	(23,783)
Total Adjustment	6,625

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) Digital Region Ltd

Digital Region Limited is a joint venture whose members comprise Rotherham MBC, Sheffield CC, Barnsley MBC, Doncaster MBC and the Secretary of State for Business, Innovation and Skills (BIS) who inherited Yorkshire Forward's interests in 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 upon the company generating sufficient revenue sales in the early years of operation. However, due to a range of factors, the target level of sales was not achieved. The shareholders therefore took a decision in 2013 to commence an orderly and solvent closure of Digital Region Limited. A funding agreement was subsequently signed by all shareholders to ensure that sufficient funds would be made available to enable services to be migrated without interruption of business and to enable the company to meet its debts as they fell due. For Rotherham MBC this amounted to £2million of capital loans and up to £7.58million of further support against which the Council has advanced £5.34million.

To achieve a solvent liquidation of the company, a restructure of the company's balance sheet was completed during 2015 prior to a liquidator being appointed on 30th June 2015. As a consequence, the Council's shareholding is now 150 'A' shares (10%), 6 'B' shares (8.57%) and 6,328,988 'C' shares (8.58%). The final distribution of the remaining shareholder funds will be made in 2016/17.

The company's latest available draft accounts are for the period ended 30 September 2014. These draft accounts show the company has net liabilities of £10.891m. However, this is before the second loan conversion of £12.257m.

31 Mar 13 £000		30 Sep 14 £000
2,288	Turnover	2,924
(9,954)	Operating (loss) / profit	2,359
(12,702)	(Loss) / profit before taxation	28,692
(12,702)	(Loss) / profit after taxation	28,692
(101,110)	Net Liabilities	(10,891)

A copy of the accounts can be obtained from the company's registered office, the address for which up to 30 June 2015 is: Electric Works, Sheffield Digital Campus, Sheffield, S1 2B, and, thereafter is: Benson House, 33 Wellington Street, Leeds, LS1 4JP.

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

With effect from 16 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. Waste Recycling Group was subsequently acquired by the FCC group in January 2014 with the company's immediate parent being FCC Environment (UK) Limited.

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. It operates under a management agency agreement with FCC Recycling (UK) Limited.

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 2014 were available and the details are as follows:

31 Dec 13 £000		31 Dec 14 £000
125	Turnover	73
37	Profit / (Loss) before taxation	(33)
37	Profit / (Loss) after taxation	(33)
4,943	Net Assets	4,910

On 21 January 2016 the lease of the Thurcroft Landfill site was assigned to BDR property. No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2016.

(iii) 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 Amber Valley Borough Council, Ashfield District Council, Bolsover District Council, Derbyshire County Council, Mansfield District Council, Newark and Sherwood District Council, North East Derbyshire District Council, Nottinghamshire County Council, West Lindsay District 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 2015 were available and the details are as follows:

31 Mar 14 £000		31 Mar 15 £000
2,884	Turnover	2,391
54	Surplus for the year	(128)
1,213	Net Assets	1,302

Rotherham Metropolitan Borough Council's made no contribution to the company during 2015/16 (2014/15 nil).

During the financial year ended 31 March 2016, Creswell Groundwork Trust provided no services to the Council (2014/15 nil) and incurred no charges from the Council (2014/15 nil).

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

(iv) 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 2015 were available and the details are as follows:

29 Mar 14 £000		29 Mar 15 £000
1,972	Turnover	2,061
(1,261)	(Deficit) for the year	(768)
12,981	Net Assets	12,213

During the financial year ended 31 March 2016, the company provided services to the Council to the value of £50,613 (2014/15 £75,284). Magna incurred charges from the Council of £936 (2014/15 £2,815).

A loan for £300,000 was issued to the Magna Trust in 2006/07 and of this £190,000 was still outstanding as at 31 March 2016. No repayments on this loan were made in 2015/16. The Council issued to Magna a short term loan of £250,000 during 2014/15. This was outstanding as at the 31 March 2016.

The Council meeting of 9 December 2015 confirmed the decision made by Commissioner Manzie of 30 November 2015 to negotiate an agreed repayment plan with Magna on the 2 Council Loans. This followed external assessment by PwC of Magna’s business plan. The Council and Magna are in the process of agreeing a new combined loan agreement, covering both loans. Repayments will commence in 2016/17.

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

(v) 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 2014 there were 15 members of which 3 were local Council 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 2015 were available and the details are as follows:

31 Jul 14 £000		31 Jul 15 £000
5,854	Turnover	5,836
236	Surplus for the year	553
2,260	Net Assets	2,215

Rotherham MBC made no contribution towards the running costs of the company during 2015/16 (2014/15 nil).

During the financial year ended 31 March 2016, the company provided services to the Council of £1,959 (2014/15 £7,510) and incurred no charges from the Council (2014/15 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.

(vi) 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.” It is a social enterprise, not for profit organisation limited by guarantee.

At the time of publication of this Statement, accounts for the company and its subsidiary undertakings for the year ending 31 March 2015 were available and the details are as follows:

31 Mar 14 £000		31 Mar 15 £000
1,956	Turnover	1,805
60	Profit before taxation	37
51	Profit after taxation	26
1,542	Net Assets	1,568

Rotherham MBC’s grants to and payments for services provided by the company during 2015/16 was £7,500 (2014/15 £7,500), and incurred charges from the Council to the value of £1,505 (2014/15 £2,492).

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.

Other

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

2014/15 £	Related Parties	Nature of Transactions	2015/16 £
	Assisted Organisations:		
22,208	Dinnington Resource Centre	Fees	25,733
44,260	Full Life Christian Centre	Grants & Fees	67,137
20,850	Get Sorted Academy of Music	Fees	20,020
118,984	Rotherham Advocacy Partnerships	Grants and Fees	108,911
9,522	Rotherham Diversity Forum	Grants and Fees	150
29,130	Rotherham Ethnic Minority Alliance Ltd	Fees	26,571
37,976	Tassibee Project	Grants, Fees and Charges	36,288
18,630	United Multicultural Centre Ltd	Fees	6,132
	Member Related:		
398,936	Rotherham and Barnsley Mind	Grants and Fees	319,404
355,674	Rotherham Women’s Refuge	Fees	6,856
26,217	Swinton Lock Activity Centre	Grants and Fees	98,035
258,312	Voluntary Action Rotherham	Grants and Fees	264,418
	Officer Related Organisations:		
125,364	GROW	Grants and Fees	143,939
29,698	Kiveton Park Independent Advice	Grants and Fees	29,698
	Other Related Organisations:		
14,485,261	Sheffield City Region Combined Authority	Transport Levy	13,019,247
35,909	Sheffield City Region Combined Authority	Contribution	35,909

Note 18 Pensions

The Council participates in three separate pension schemes relating to: Teachers, Local Government employees and staff performing Public Health Functions who transferred to the Council 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. Scheme benefits are underwritten by the Government.

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 2015/16 the Council paid employer's contributions calculated at 14.1% until the implementation of the new rate on 1 September calculated at 16.48%, amounting in total to £7.505m (2014/15 £8.061m). Contributions have reduced due to a number of schools converting to academies during 2015/16.

The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2017 is £5.8m.

A new Teacher's Pension Scheme came into effect in April 2015. Most members of the existing scheme transferred to the new scheme on that date but transitional arrangements have been put in place to provide protection to those nearest retirement age. The main features of the new scheme are that it is a career average scheme rather than a final salary scheme and the normal retirement age is now the same as that for the State Pension.

Coupled with the introduction of the new scheme, the Government Actuary's Department (GAD) has carried out an actuarial valuation of the scheme as at 31 March 2012. It shows there to be an overall deficit against the notional fund of £15bn compared to a deficit of £1.8bn at the time of the last actuarial valuation at 31 March 2004.

The GAD has determined that the employers' contribution over the 4 years commencing 2015/16 should be 16.48% (this compares to 14.1% under the existing scheme). The rate of 16.48% comprises 5.6% to recover the projected deficit at 31 March 2015 over a 15 year period and 10.8% to meet the ongoing benefits accrued by members under the new scheme from 1 April 2015 onwards and 0.08% administration. This has been capped at 10.9% over the years commencing 2015/16. Members will be expected to pay an average contribute of 9.6%. Implementation of the new rate was deferred until 1 September 2015 in recognition of the fact that schools and other teaching establishments work on an academic and not financial year.

(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 scheme 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 in 2014/15 are tiered from 5% to 14.5% based on salary.

During 2015/16 the Council paid employer's contributions calculated at 14.3% amounting in total to £0.143m (£0.157m 2014/15).

A new NHS Pension Scheme came into effect in April 2015, the main features of the new scheme are that it is a career average scheme rather than a final salary scheme and the normal retirement age is now the same as that for the State Pension.

An actuarial valuation of the NHS Pension Scheme was carried out as at 31 March 2012 to replace the previous actuarial valuation at 31 March 2004. The primary purpose of the 2012 actuarial valuation was to set the employer contribution rate payable from April 2015 under the new NHS Pension scheme. This determined that employee contribution rates continue to be tiered from 5% to 14.5% based on salary over the 4 years commencing 2015/16 and employer contributions at 14.3% over the same period. The total of contributions expected to be made to the new NHS Pension Scheme by the Council in the year to 31 March 2017 is £0.110m.

(c) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Council 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 Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council 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 Council 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 Council 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. The IAS 19 figures provided by the actuary in respect of 2015/16 make allowance for the reduction in liabilities falling on the Council as a result of schools acquiring academy status during the year which are shown as gains / losses on settlements.

On 1 April 2015 the Council made a one-off payment to the Pension Fund of £18.646m (net of discount) to cover future deficit liabilities for the period from 2015/16 to 2016/17. In line with the Council's accounting policies £8.907m has been accounted for in 2015/16 with the remainder (£9.739m) being offset against the pension liability on the balance sheet. In the next financial year, the pension reserve (note 38e, £330.031m) and the net pension liability (£320.292m) will be brought into line as the prepayment arrangements are accounted for in 2016/17.

During the year the Council paid employer's superannuation contributions calculated at 12.6% amounting to £15.186m (2014/15 £24.023m at 19.5%) and £8.907m (net of discount) to cover future deficit liabilities for 2015/16.

Total contributions of £15.4m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 based on an ongoing service contribution rate of 12.9%.

The contribution rates take account of changes to the Local Government Pensions Scheme which came into effect from April 2014. The main changes were the introduction of a career average scheme rather than a final salary scheme and a "50:50 Scheme Option" whereby members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution for a period of up to 3 years.

They also reflect the most recent triennial actuarial valuation in March 2013 which the South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned from the actuary, Mercer Human Resource Consulting Ltd. This showed a worsening of the fund's position with the overall deficit on the scheme increasing from £1.085 billion at the previous actuarial valuation in 2010 to £1.330 billion in March 2013 (a marginal improvement in funding level to 80% of scheme liabilities compared to 79% in 2010).

The funding plan, in accordance with the Funding Strategy Statement (FSS), is to make good the shortfall and achieve a funding level of 100% over a maximum period of 22 years (25 years at 2010 valuation).

With this funding objective in mind, over the course of the 3 years from 2014/15 there have been stepped annual increases of 0.3% p.a to bring the normal contribution rate for employers from 12% under the 2010 Triennial Valuation up to 12.9% required under the 2013 Valuation. There has also been a stepped increase in the contributions made towards recovering Rotherham's share of the deficit on the pensions fund over the 22 years from 2014/15. The deficit recovery contribution in 2014/15 amounted to £9.0m and is due to increase to £9.3m in 2015/16 and £10.2m in 2016/17 after taking account of schools converting to Academy status.

The funding position and employers' contributions will be reviewed again at the next actuarial valuation as at 31 March 2016 which is currently underway and will take effect in April 2017.

The funding level of the Pensions Fund is subject to a range of potentially material risks. The impact of small changes to key assumptions (inflation, pay awards, life expectancy, discounting of future pension liabilities) is set out in the 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 Pensions Authority has processes in place to monitor investment performance and the actuaries produce an annual review of the fund's performance including a comparison to other local Council funds. The Pension Fund's investment strategy is reviewed alongside each triennial valuation.

In the event that an employer is unable to pay contributions or make good deficits, the Pension Authority's focus is to ensure as far as possible that any liability can be recovered should an employer exit the Pension Fund. Where a Council acts as guarantor for an employer that defaults the Council is responsible for meeting the liability, otherwise it falls on all employers in the Fund in relation to their size. 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.

An exception to this is regulation 64 of the Local Government Pensions Regulations which require, in some circumstances, that the Council makes Exit Payments in respect of employers leaving the Fund.

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

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.

Total Funded & Unfunded Local Government Pension Scheme 2014/15 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2014/15 £000		Total Funded & Unfunded Local Government Pension Scheme 2015/16 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 £000
		Net Cost of Services		
(19,700)	0	- Current Service Cost	(25,425)	0
(1,231)	0	- Past Service	(1,535)	0
12,251	0	- Gain / (loss) from settlements	3,728	0
		Financing and Investment Income and Expenditure		
(3,110)	0	- Current Service Cost - Trading Services	(3,877)	0
(11,494)	(908)	- Net Interest Expense	(11,731)	(713)
(23,284)	(908)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(38,840)	(713)
		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	0	0
75,938	0	- Return on plan assets (excluding the amount included in the net interest expense)	(22,195)	0
0	0	- Actuarial gains and (losses) arising on changes in demographic assumptions	0	0
(184,767)	(1,936)	- Actuarial gains and (losses) arising on changes to financial assumptions	74,078	724
(108,829)	(1,936)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	51,883	724
		Movement in Reserves Statement		
(3,257)	(1,468)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	12,114	1,385
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(26,541)		- Employer’s contributions payable to Scheme	(26,726)	
	(1,376)	- Rechargeable Pensions		(1,374)

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.

Net interest expense above includes £0.484m Administrative expenses in relation to investments during 2015/16 (2014/15 £0.488m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial gain of £51.883m (£108.829m loss in 2014/15), has been 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 Council's obligation in respect of its defined benefit plans is as follows:

	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 15 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 16 £000
Fair Value of Scheme Assets	915,439	927,244
Present value of Funded Liabilities	(1,262,908)	(1,226,590)
Net (under) funding in Funded Plans	(347,469)	(299,346)
Present Value of Unfunded Discretionary Liabilities	(22,331)	(20,946)
Per Mercers Report	(369,800)	(320,292)
Amount in the Balance sheet:		
Liabilities - funded and unfunded	(1,285,239)	(1,247,536)
Assets - funded and unfunded	915,439	927,244
Add back Employer Contributions Prepayment for 2016/17	0	(9,739)
Pensions Reserve	(369,800)	(330,031)
Pensions Liability	(369,800)	(320,292)

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

Total Funded & Unfunded Local Government Pension Scheme 2014/15 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2014/15 £000		Total Funded & Unfunded Local Government Pension Scheme 2015/16 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 £000
813,202	0	Fair Value of Plan Assets at beginning of period	915,439	0
36,374	0	Interest on plan assets	30,588	0
		Remeasurement gain / (loss):		
75,938	0	- The return on plan assets, excluding the amount included in interest expense	(22,195)	0
(488)	0	- Administrative expenses	(484)	0
(5,761)	0	- Settlements	(1,689)	0
26,541	1,376	- Employer contributions	26,726	1,374
0	0	- Prepayment Employer Contributions for 2016/17	9,739	0
7,600	0	- Member contributions	7,530	0
(37,967)	(1,376)	- Benefits/transfers paid	(38,410)	(1,374)
915,439	0	Fair Value of Scheme Assets at end of period	927,244	0

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

Total Funded & Unfunded Local Government Pension Scheme 2014/15 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2014/15 £000		Total Funded & Unfunded Local Government Pension Scheme 2015/16 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 £000
(1,077,430)	(20,863)	Benefit Obligation at beginning of period	(1,285,239)	(22,331)
(20,398)	0	Current Service Cost	(24,976)	0
(2,412)	0	Trading Services	(4,326)	0
(47,380)	(908)	Interest Cost	(41,835)	(713)
(7,600)	0	Member Contributions	(7,530)	0
		Remeasurement gains and (losses):		
0	0	- Experience gain / (loss)	0	0
0	0	- Actuarial Gain / (loss) arising from changes in demographic assumptions	0	0
(184,767)	(1,936)	- Actuarial Gain / (loss) arising from changes in financial assumptions	74,078	724
(53)	0	- Past Service Cost	(53)	0
(1,178)	0	- (Loss) / gain on Curtailments	(1,482)	0
18,012	0	- Liabilities extinguished on Settlements	5,417	0
37,967	1,376	- Benefits/Transfers paid	38,410	1,374
(1,285,239)	(22,331)	Benefit Obligation at end of period	(1,247,536)	(20,946)

Analysis of the Fair Value of Plan Assets:

	Quoted (Y/N)	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 15 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 16 £000
Cash & cash equivalents:		14,922	16,227
Equity Investments:			
- UK quoted	Y	176,680	167,182
- Overseas quoted	Y	368,464	367,281
Bonds:			
- UK Government fixed	Y	7,049	371
- UK Government indexed	Y	109,853	111,084
- Overseas Government fixed	Y	23,344	25,221
- Overseas other	Y	5,859	12,703
- UK other	Y	47,145	45,806
Property:			
- UK direct	Y	86,143	94,023
-Property Funds	Y	13,732	14,372
Alternatvies:			
- Pooled Investment Vehicles	N	62,250	72,974
		915,441	927,244

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 2016.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2014/15	Discretionary Benefits 2014/15		Local Government Pension Scheme 2015/16	Discretionary Benefits 2015/16
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
23 years	23 years	Men	23 years	23 years
25.6 years	25.6 years	Women	25.7 years	25.7 years
		Longevity at 65 for future pensioners:		
25.3 years	25.3 years	Men (in 20 years time)	25.4 years	25.4 years
28.4 years	28.4 years	Women (in 20 years time)	28.5 years	28.5 years
2.0%	2.0%	Rate of CPI inflation	2.0%	2.0%
3.75%	-	Rate of increase in salaries	3.75%	-
2.0%	2.0%	Rate of increase in pensions	2.0%	2.0%
3.3%	3.3%	Rate for discounting scheme liabilities	3.6%	3.6%

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 £24.1m 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 £24.1m 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 £5.5m if all other assumptions were held constant.

- If the discount rate used to discount future pension liabilities were to be 0.1% higher, the defined benefit obligation would decrease by £23.7m if all other assumptions were held constant.

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

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 14	528,477	497,047	60,728	130,052	6,816	39,284	20,885	1,283,289
Additions	29,113	6,475	4,383	6,477	24	14,272	358	61,102
Accumulated Depreciation and Impairment written out to gross cost/valuation	(37,719)	(10,045)	0	0	0	0	(288)	(48,052)
Revaluation increases/decreases to Revaluation Reserve - as restated	1,913	5,882	0	0	8	0	81	7,885
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	8,965	(11,862)	0	0	0	0	(49)	(2,946)
Derecognition - Disposals	(2,899)	(130,206)	(9,342)	0	(48)	0	(3,367)	(145,862)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	(1,342)	(1,342)
Reclassified to/from Investment Properties	0	(46)	0	0	0	(217)	0	(263)
Other Movements in cost valuation as restated	175	11,371	0	17,544	(19)	(29,962)	235	(656)
At 31 Mar 15	528,025	368,616	55,770	154,073	6,781	23,377	16,513	1,153,155
Depreciation and Impairment								
At 1 Apr 14	(37,491)	(63,003)	(25,789)	(30,547)	(6,368)	1	(2,365)	(165,562)
Accumulated Depreciation and Impairment written out to gross cost/valuation	37,719	10,045	0	0	0	0	288	48,052
Depreciation Charge	(12,639)	(7,890)	(4,569)	(3,069)	(3)	0	(63)	(28,233)
Impairment losses/reversals to Revaluation Reserve	(1,121)	(638)	0	0	0	0	(5)	(1,764)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services - as restated	(27,546)	(2,194)	0	(28)	(24)	0	(229)	(30,021)
Derecognition - Disposals	104	10,590	2,660	0	0	0	418	13,772
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	6	0	0	0	0	0	6
Other movements in depreciation and impairment - as restated	(14)	12	0	0	0	0	1	(1)
At 31 Mar 15	(40,989)	(53,070)	(27,699)	(33,644)	(6,395)	1	(1,955)	(163,751)
Net Book Value								
At 31 Mar 15	487,036	315,546	28,071	120,429	386	23,378	14,558	989,404
At 31 Mar 14 as restated	490,986	434,044	34,939	99,505	448	39,285	18,520	1,117,727

	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 15	528,025	368,616	55,770	154,073	6,781	23,377	16,513	1,153,155
Additions	26,208	7,263	4,374	10,764	18	8,222	19,276	76,125
Accumulated Depreciation and Impairment written out to gross cost/valuation	(41,191)	(21,296)	0	0	0	0	(248)	(62,735)
Revaluation increases/decreases to Revaluation Reserve	3,609	11,057	0	0	4	0	4,712	19,382
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	2,148	4,055	0	0	0	0	(788)	5,415
Derecognition - Disposals	(3,647)	(22,442)	(3,046)	0	0	0	(605)	(29,740)
Derecognition - Other	0	(184)	(168)	0	0	0	0	(352)
Reclassified to/from Held for Sale	0	(193)	0	0	0	0	430	237
Reclassified to/from Investment Properties	0	(165)	0	0	0	(30)	0	(195)
Other Movements in cost valuation	731	22,531	307	9,469	20	(14,111)	(19,276)	(329)
At 31 Mar 16	515,883	369,242	57,237	174,306	6,823	17,458	20,014	1,160,963
Depreciation and Impairment								
At 1 Apr 15	(40,989)	(53,070)	(27,699)	(33,644)	(6,395)	1	(1,955)	(163,751)
Accumulated Depreciation and Impairment written out to gross cost/valuation	41,191	21,296	0	0	0	0	248	62,735
Depreciation Charge	(12,325)	(8,461)	(4,932)	(3,669)	(3)	0	(44)	(29,434)
Impairment losses/reversals to Revaluation Reserve	(717)	(1,751)	0	0	0	0	0	(2,468)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(20,969)	(1,263)	(24)	(496)	(38)	0	0	(22,790)
Derecognition - Disposals	63	653	1,033	0	0	0	238	1,987
Derecognition - Other	0	37	67	0	0	0	0	104
Reclassification to / from Held for Sale	0	1	0	0	0	0	0	1
Reclassified to/from Investment Properties	0	11	0	0	0	0	0	11
Other movements in depreciation and impairment	(24)	24	0	0	0	0	0	0
At 31 Mar 16	(33,770)	(42,523)	(31,555)	(37,809)	(6,436)	1	(1,513)	(153,605)
Net Book Value								
At 31 Mar 16	482,113	326,719	25,682	136,497	387	17,459	18,501	1,007,358
At 31 Mar 15	487,036	315,546	28,071	120,429	386	23,378	14,558	989,404

(a) Carrying Value of PFI Assets

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

2014/15 as restated £000		2015/16 £000
	Cost or Valuation:	
104,611	At 1 April as restated	71,142
(1,627)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(5,845)
243	Additions	19,611
929	Revaluation Increases / (Decreases) taken to Revaluation Reserve	3,438
(4,908)	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	1,030
(28,106)	Derecognition - Disposals	(16,489)
71,142	Cost or Valuation at 31 March	72,887
	Depreciation & Impairment:	
11,964	At 1 April	9,486
(1,627)	Adjustments between cost / value & depreciation/impairment	(5,845)
1,626	Depreciation Charge	1,995
22	Depreciation written out on Revaluation Reserve	163
67	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	172
2	Impairment Losses Recognised in the Revaluation Reserve	0
145	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	0
(2,713)	Derecognitions - Disposals	(1,082)
9,486	Depreciation and impairment at 31 March	4,889
	Net Book Value	
61,656	At 31 March	67,998

2014/15 as restated £000		2015/16 £000
53,540	Land and buildings	63,848
6,113	Vehicles, Plant, Furniture and Equipment	4,150
2,003	Assets under Construction	0
61,656	Total	67,998

The carrying value of PFI Assets has come down by £16.5m (2014/15 £25.2m) due to PFI schools converting to academies.

b) Effects of change in estimates

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

c) 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 2015/16 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Regeneration and Environment 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.

d) Downward Revaluations and Impairment

There was a net valuation decrease of £17.375m charged to the CIES in 2015/16. The primary reason for this was the writing down of £22.790m of capital expenditure which did not enhance asset carrying values. This was offset mainly by an increase in the value of school buildings (£1.970m), indoor leisure facilities (£2.161m) and council dwellings (£2.148m).

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	23,027	16,428	57,237	174,306	6,822	865	17,458	296,143
Valued at fair value as at:								
31 Mar 16	492,856	161,740	0	0	0	18,702	0	673,298
31 Mar 15	0	43,960	0	0	0	233	0	44,193
31 Mar 14	0	60,336	0	0	0		0	60,336
31 Mar 13	0	42,524	0	0	0	215	0	42,739
31 Mar 12	0	44,254	0	0	0		0	44,254
Total Cost or Valuation	515,883	369,242	57,237	174,306	6,822	20,015	17,458	1,160,963

e) Capital commitments

At 31 March 2016 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16. The Council had significant commitments of £1 million or more budgeted to cost £12.989m (£16.674m at 31 March 2015).

	Cost £m
Neighbourhood and Adult Services:	
Refurbishment of Dwellings	12.989
Total	12.989

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

f) Fair Value Hierarchy – Surplus Assets

Following the implementation of IFRS 13, Fair Value Measurement, in 2015/16 the Council's surplus assets have been revalued to fair value as at 31 March 2016. The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data ('observable inputs') and minimising the use of estimates or unknowns ('unobservable inputs').

Details of the Council's Surplus Assets and their fair value hierarchy, taking into account the three levels of categories for inputs to valuations, are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2016 £000
Land and Buildings	0	18,501	0	18,501
Total	0	18,501	0	18,501

2014/15 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2015 £000
Land and Buildings	0	14,558	0	14,558
Total	0	14,558	0	14,558

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques used to determine Fair Values for Surplus Assets

The fair value for the surplus assets of £18.501m (£14.558m as at 31 March 2015) has been based on the market approach using current market evidence including recent sale prices and rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant leading to properties being categorized at level 2 in the fair value hierarchy.

Note 20 Investment Property

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

2014/15 £000		2015/16 £000
(1,264)	Rental income from investment property	(1,420)
432	Direct operating expenses arising from investment property	546
(832)	Net income	(874)
(77)	Net (surplus) from fair value adjustments	(533)
(95)	(Profit) on disposal	0
(1,004)	Total included in Finance & Investment Income	(1,407)

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

2014/15 £000		2015/16 £000
29,356	Balance at 1 April	31,427
4,330	Subsequent expenditure	15
(2,624)	Disposals	0
77	Net gain from fair value adjustments	533
31	Net gain / (loss) through Revaluation Reserve	(7)
257	Transfers from Property, Plant & Equipment	184
31,427	Balance 31 March	32,152

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.

Fair Value Hierarchy

To conform with the requirements of IFRS 13, Fair Value measurement, the Council's investment properties have been revalued to fair value. The Council uses appropriate valuation techniques maximising the use of 'observable inputs' and minimising the use of 'unobservable inputs'. The fair value hierarchy for investment properties takes into account the three levels of categories for inputs to valuations for fair value assets, as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2016 £000
Land and Buildings	0	32,152	0	32,152
Total	0	32,152	0	32,152

2014/15 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2015 £000
Land and Buildings	0	31,427	0	31,427
Total	0	31,427	0	31,427

Transfers between levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation techniques used to determine Fair Values for Investment Properties

The fair value of investment property of £32.152m (£31.427m as at 31 March 2015) has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment property portfolio. The underlying market conditions are such that similar properties are actively purchased and sold with a significant level of observable inputs. This has resulted in the Council's investment properties being categorised as level 2 on the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Regeneration and Environment Services.

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.

2014/15 £000		2015/16 £000
	Balance at 1 April:	
3,186	- Gross carrying amount	5,080
(1,677)	- Accumulated amortisation	(2,277)
1,509	Net carrying amount at 1 April	2,803
	Additions:	
1,054	- Purchases	283
840	- Reclassified from PP&E under Construction	330
(601)	Amortisation	(858)
2,803	Net carrying amount at 31 March	2,558
	Comprising:	
5,080	Gross carrying amounts	5,693
(2,277)	Accumulated amortisation	(3,135)
2,803	Balance at 31 March	2,558

Note 22 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance at 1 April	689	1,458	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	1,342	881	0	0
- Revaluation losses	(78)	(337)	0	0
- Revaluation gain	0	181	0	0
Assets declassified as held for sale:				
- Reclassified to Property, Plant and Equipment	0	(1,120)	0	0
- Assets sold	(495)	(434)	0	0
Balance at 31 March	1,458	629	0	0

Note 23 Heritage Assets

Nature and scale of heritage assets held by the Council:

Museum Exhibit

The Museum Exhibit collections hold over 90,000 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 36,000 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 Council 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 1 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 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.

It is not practicable to present additions for years prior to 2010/11 as detailed information is not available.

	Museum Exhibits held at valuation £000	Civic Regalia & Plate held at valuation £000	Archives held at valuation £000	Historic Buildings held at valuation £000	Total £000
Cost or Valuation					
1 Apr 15	4,948	1,746	258	0	6,952
Additions	0	0	0	7	7
Revaluation increases/decreases to Revaluation Reserve	0	0	0	(7)	(7)
31 Mar 16	4,948	1,746	258	0	6,952
31 Mar 15	4,948	1,746	258	0	6,952

Disposal of Heritage Assets in 2015/16

There have been no Heritage Asset disposals in 2015/16.

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 15 £000	31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000
Financial Liabilities (principal amount)	446,597	459,306	22,286	17,292
Plus Accrued Interest	0	0	4,407	4,062
Financial liabilities at amortised cost	446,597	459,306	26,693	21,354
Total Borrowings	446,597	459,306	26,693	21,354
Loans and receivables (principal amount)	0	0	18,674	32
Plus(+)/Less(-) Other accounting adjustments	0	0	(6)	2
Loans and receivables at amortised cost	0	0	18,668	34
Unquoted equity investments at cost	190	0	190	0
Total Investments	190	0	18,858	34

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 Council'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 16		31 Mar 16	
	£000	%	%	£000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions – excluding Icelandic Banks				
AAA rated counterparties	0	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	0	0.080%	0.080%	0
Bonds	0	0.000%	0.000%	0
Total	0			0
Debtors				
Long Term Debtors	10,022	4.111%	4.111%	412
Sundry Debtors	10,003	9.387%	9.387%	939
Council Tax	6,972	33.692%	33.692%	2,349
NNDR	1,400	19.286%	19.286%	270
Community Charge	43	95.349%	95.349%	41
Housing Benefits	2,644	61.157%	61.157%	1,617
Housing Tenants	6,295	45.957%	45.957%	2,893
Other Short-Term Debtors	25,160	3.355%	3.355%	844
Debtors	62,539			9,365

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 £9.365m 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 15		31 Mar 16
£000		£000
6,318	Less than three months	7,444
188	Three to six months	498
821	Six months to one year	523
1,351	More than one year	1,538
8,678		10,003

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 2016 was £0.885m (£1.041m as at 31 March 2015).

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 15 £000		31 Mar 16 £000
26,693	Less than one year	21,354
17,292	Between one and two years	22,299
54,565	Between two and seven years	80,337
50,768	Between seven and fifteen years	37,981
323,973	More than fifteen years	318,689
473,291		480,660

The maturity analysis of financial assets is as follows:

31 Mar 15 £000		31 Mar 16 £000
18,668	Less than one year	34
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
18,668		34

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £10.003m 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:

2014/15 £000		2015/16 £000
134	Impact on Surplus or Deficit on the Provision of Services	100
65	Share of overall impact debited to the HRA	47
(95,481)	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)	(125,913)

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 Comprehensive Income and Expenditure Statement and the Movement in Reserve Statement for the year to 31 March 2016 are as follows:

2014/15		Financial Liabilities	Financial Assets			2015/16
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
22,492	Interest expense	20,601	0	0	0	20,601
0	Impairment (gain)	0	(4)	0	0	(4)
11,438	Finance Lease Interest	12,826	0	0	0	12,826
33,930	Interest payable and similar Charges	33,427	(4)	0	0	33,423
(707)	Interest income	0	(513)	0	0	(513)
33,223	Net gain (-) / loss (+) for the year	33,427	(517)	0	0	32,910

Note 27 Financial Instruments – Fair Values

Fair Value of Financial Assets

At 31 March 2016 the Council had no Available for Sale financial assets measured in the Balance Sheet at fair value on a recurring basis (Nil at 31 March 2015). The Authority's equity shareholdings in companies disclosed at Note 17 – Related Party Transactions are not traded in an active market and are valued at historical cost (see below).

There were no transfers between input levels 1 and 2 during the year and there has been no change in the valuation technique used during the year for Available for Sale financial instruments.

Fair Value of Financial Assets and Financial Liabilities not measured at Fair Value

All other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors which are not measured at Fair Value but for which a disclosure is required are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from 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 carrying amount, either the principal outstanding or the billed amount.

The fair values calculated are as follows:

2014/15 as restated			31 Mar 16	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
		Long and Short-term		
257,926	345,757	PWLB debt	235,249	324,999
215,365	282,109	Non-PWLB debt	245,411	412,588
473,291	627,866	Total Debt	480,660	737,587
(59,930)	(59,930)	Trade Creditors	(56,933)	(56,933)
413,361	567,936	Total Financial Liabilities	423,727	680,654

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. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £324.999m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value (£89.750m) measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £235.249m would be valued at £286.845m. But, if the Council was to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption by charging a premium equivalent to the additional interest, based on the redemption interest rates (£89.750m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £324.999m.

31 Mar 15			31 Mar 16	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
18,668	18,668	Money Market loans less than one year	34	34
190	190	Equity	190	190
10,823	10,823	Long-term Debtors	10,022	10,022
8,678	8,678	Sundry Debtors	10,003	10,003
7,955	7,955	Council Tax	6,972	6,972
859	859	NNDR	1,400	1,400
43	43	Community Charge	43	43
3,491	3,491	Housing Benefits	2,644	2,644
6,336	6,336	Housing Rents	6,295	6,295
		Other Short-Term :		
24,741	24,741	Debtors	25,160	25,160
(9,843)	(9,843)	Bad Debts Provision	(9,365)	(9,365)
71,941	71,941	Total Loans and Receivables	53,398	53,398

The fair value for financial assets is the same as the carrying value because all are carried at cost as a fair approximation of their value.

Note 28 Financial Instruments – Soft Loans and Financial Guarantees

Soft Loans – Loans granted by the Council 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 2016 a £0.003m balance was held within the account. At 31 March 2016 soft loans granted had been fully amortised.

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 2016 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 29 Impairment adjustment – Heritable Bank

Early in October 2008, the Icelandic bank Landsbanki collapsed and the UK subsidiary of the bank, Heritable, went into administration. The Council had £1.800m deposited in this institution, with a maturity date and interest rate 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%	0.034	(0.002)

All monies within the institution has been subject to an administration process. The amounts and timing of payments to depositors such as the Council have been determined by the administrators.

During 2015/16 the Council's claim under Heritable Bank's cross-guarantee with its former parent Landsbanki bank was finalised and a maximum amount of £9k, currently held in an interest bearing Escrow account in Iceland, will be paid on a pro-rata basis to the Council depending on the extent to which the administration of Heritable Bank falls below the 100% recovery level.

Recognition in the CIES

The total impairment gain recognised in the Comprehensive Income and Expenditure Statement amounting to £0.002m 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 Council until monies are recovered.

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

Bank	Credited 2014/15 £	Received 2014/15 £	Credited 2015/16 £	Received 2015/16 £
Heritable	2,259	638	7,755	71,840

Note 30 Long-Term Investments

2014/15 £000		2015/16 £000
	Investments in Associates and Joint Ventures:	
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
190	Balance at 31 March	190

Note 31 Inventories

2014/15 £000		2015/16 £000
794	Balance at 1 April	748
6,380	Purchases	5,599
(6,261)	Recognised in year as an expense	(5,672)
(165)	Written on / (off) in year	71
748	Balance at 31 March	746

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 2016 (Nil 2014/15).

Note 33 Debtors

	Short Term		Long Term	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Central Government Bodies	11,855	8,723	0	0
Other Local Authorities	1,798	1,413	0	0
NHS Bodies	1,924	2,610	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	27,110	30,818	10,397	9,610
Total	42,687	43,564	10,397	9,610

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 15 £000		31 Mar 16 £000
25,916	Cash and Bank balances	21,549
(36,141)	Bank Overdraft	(34,202)
(10,225)	Total Cash and Cash Equivalents	(12,653)

Note 35 Creditors

	Short Term		Long Term	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Central Government Bodies	(6,331)	(5,629)	0	0
Other Local Authorities	(912)	(1,307)	0	0
NHS Bodies	(1,583)	(1,011)	0	0
Public corporations and trading funds	0	(4)	0	0
Other Entities and Individuals	(50,388)	(48,460)	(716)	(522)
Total	(59,214)	(56,411)	(716)	(522)

Note 36 Provisions

Current Year	Balance as at 1 Apr 15 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 16 £000
Insurance Claims	(6,029)	(3,739)	2,909	0	(6,859)
Compensation Payments	0	(893)	0	0	(893)
Carbon Reduction Commitment	0	0	0	0	0
Severance Costs	(96)	(79)	0	0	(175)
Business Rates Appeals	(3,874)	(2,614)	1,407	0	(5,081)
Vehicle Repairs Costs	(50)	0	50	0	0
Other	(3,654)	(214)	570	2,238	(1,060)
Total	(13,703)	(7,539)	4,936	2,238	(14,068)
Current Provisions	(7,676)	(3,130)	2,027	2,238	(6,541)
Long Term Provisions	(6,027)	(4,409)	2,909	0	(7,527)
Total	(13,703)	(7,539)	4,936	2,238	(14,068)

Comparative Year	Balance as at 1 Apr 14 £000	provision during year £000	Utilised during year £000	Amounts Reversed £000	Balance as at 31 Mar 15 £000
Insurance Claims	(5,364)	(4,344)	3,679	0	(6,029)
Compensation Payments	(55)	0	8	47	0
Carbon Reduction Commitment	(431)	0	431	0	0
Severance Costs	(288)	0	192	0	(96)
Business Rates Appeals	(3,416)	(2,007)	1,549	0	(3,874)
Vehicle Repairs Costs	(50)	0	0	0	(50)
Other	(7,433)	(96)	3,830	45	(3,654)
Total	(17,037)	(6,447)	9,689	92	(13,703)
Current Provisions	(11,650)	(2,103)	6,010	67	(7,676)
Long Term Provisions	(5,387)	(4,344)	3,679	25	(6,027)
Total	(17,037)	(6,447)	9,689	92	(13,703)

Insurance claims

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. The two year optional extensions have been exercised, the first year commencing from 28 February 2016.

In balancing the cost of insurance against the risk of a liability arising, the Council has elected to meet the policy excess in respect of certain types of claim (Employers Liability and Public Liability) and to co-insure or self-insure itself against other types of claim by operating an Insurance Fund. Details of the different types of claim covered by this arrangement are set out below.

The Council keeps under review the best estimate of the likely liability falling on the Insurance Fund by reference to recent claims history, repudiation rates and other relevant factors and the expert advice of the Council's legal representatives on larger more complex claims.

The provision in this year's accounts covers the estimated residual liability relating to claims settled by Municipal Mutual Insurance (MMI) which, under the terms of MMI's Scheme of Arrangement, can no longer be met in full and therefore require a proportion to be repaid by the local authorities who were members of MMI when it went into solvent liquidation in 1992. This includes the Council.

The Council is currently liaising with its insurers to ascertain the extent to which the Council's insurance policies can be used to meet any liabilities arising from any legal claims that are brought in relation to child sexual exploitation cases.

The Council continues to liaise with its insurers and legal advisors to ascertain the extent to which the Council's insurance policies can be used to meet liabilities arising from compensation claims that have been brought in relation to child sexual exploitation cases.

(a) Employers Liability and Public 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. For several years, this remained static at £100,000, however, with effect from 28 February 2015, the Council now meets the first £250,000 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

Severance Costs

Provision is made for the estimated severance costs associated with reductions in staff numbers arising from the restructuring of services when there are detailed formal plans in place, a valid expectation is raised amongst those staff who are affected that the plans will be implemented, significant changes to the plans are unlikely, and, the costs can be identified. The expectation is that the outstanding liability at 31 March 2016 will be settled in 2016/17.

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 rate payers 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 and has introduced new regulations which prevent appeals lodged on or after 1 April 2015 being back-dated prior to this date. Accordingly, we anticipate the majority of refunds provided for at 31 March 2016 will be made during 2016/17 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. This provision reached fruition in 2015/16.

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 7 and Notes 1 and 2.

31 Mar 15 £000		31 Mar 16 £000
	CAPITAL RESERVES	
(23,721)	Capital Receipts Reserve	(25,009)
(4,737)	Major Repairs Reserve	(3,873)
(15,773)	Capital Grants Unapplied Account	(10,606)
	REVENUE RESERVES	
(4,919)	General Fund - Schools	(3,684)
(12,365)	General Fund - Non Schools	(11,859)
(81,187)	Earmarked Reserves	(57,003)
(20,728)	HRA	(27,932)
(163,429)	TOTAL USABLE RESERVES	(139,966)

(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 Council'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 15 £000		31 Mar 16 £000
	CAPITAL RESERVES	
(173,109)	Capital Adjustment Account	(173,094)
(76,980)	Revaluation Reserve	(87,932)
(103)	Deferred Capital Receipts	(98)
	REVENUE RESERVES	
369,800	Pensions Reserve	330,031
4,890	Short term accumulating absences account	3,242
(7)	Financial instruments adjustment account	95
(3,249)	Collection Fund adjustment account	(6,158)
121,242	TOTAL UNUSABLE RESERVES	66,086

(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.

2014/15 £000		2015/16 £000
(306,610)	Balance 1 April	(173,110)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
601	Amortisation of Intangible Assets	858
47,793	Charges for depreciation and impairment of non-current assets	33,627
6,188	Revenue expenditure funded from capital under statute	5,464
134,969	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	28,436
13,321	Depreciation - Major Repairs Reserve	12,970
(1,177)	Write down of Met Debt deferred Liability	(1,295)
	Adjusting amounts written out to Revaluation Reserve:	
(24,476)	Disposal	(4,199)
(1,438)	Excess of current cost depreciation over historic cost depreciation	(1,751)
	Capital Financing Applied in the year:	
(4,613)	Use of Capital Receipts Reserve to finance capital expenditure	(3,091)
(2,531)	Use of Capital Receipts Reserve to repay debt	0
(20,392)	Use of Major Repairs Reserve to finance capital expenditure	(20,932)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(30,454)	Application of grants to capital financing from the Capital Grants Unapplied Account	(19,318)
(9,282)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,338)
0	MRP holiday	5,310
0	To correct pre 07/08 MRP adjustment	(25,501)
34,783	Adjustment to prior years statutory provision for the financing of capital investment charges against the General Fund and HRA Balances	0
(9,792)	Capital expenditure charged against the General Fund and HRA balances	(5,222)
(173,110)	TOTAL	(173,094)

(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.

2014/15 £000		2015/16 £000
(96,744)	Balance 1 April	(76,980)
(7,915)	Net revaluation gains/losses not charged to the Surplus /(Deficit) on Provision of Services	(19,377)
1,765	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	2,475
(6,150)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(16,902)
24,476	Accumulated Gains on assets sold or scrapped	4,199
1,438	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	1,751
(76,980)	Balance at 31 March	(87,932)

(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.
.

2014/15 £000		2015/16 £000
(104)	Balance 1 April	(102)
2	Transfer to the Capital Receipts Reserve of cash received	4
(102)	Balance at 31 March	(98)

(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 2016 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 Council's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 18.

2014/15 £000		2015/16 £000
264,228	Balance 1 April	369,800
108,829	Remeasurements of the net defined benefit liability/(asset)	(51,883)
23,284	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	38,840
(26,541)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,726)
369,800	Balance 31 March	330,031

(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.

2014/15			2015/16	
£000	£000		£000	£000
	5,209	Balance 1 April		4,890
(5,209)		Settlement or cancellation of accrual made at the end of the preceding year	(4,890)	
4,890		Amounts accrued at the end of the current year	3,242	
	(319)	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		(1,648)
	4,890	Balance at 31 March		3,242

(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.

2014/15 £000		2015/16 £000
(71)	Balance at 1 April	(7)
	Movement in year:	
65	Premium and discounts	105
(1)	Soft Loans	(3)
(7)	Balance carried forward at 31 March	95

(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.

2014/15 CTAX £000	2014/15 NNDR £000	2014/15 Total £000		2015/16 CTAX £000	2015/16 NNDR £000	2015/16 Total £000
(4,086)	3,788	(298)	Balance 1 April	(5,962)	2,713	(3,249)
(1,876)	(1,075)	(2,951)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(1,083)	(1,826)	(2,909)
(5,962)	2,713	(3,249)	Balance at 31 March	(7,045)	887	(6,158)

Note 39 Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Service

2014/15 £000		2015/16 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
26,092	Capital Grants credited to surplus or deficit on the provison of services	14,151
2	Net adjustment from sale of long term investments	0
14,451	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,520
40,545		20,671
(742)	Interest received (cash basis)	(539)
34,120	Interest paid (cash basis)	34,559

Note 40 Cash Flow – from Investing Activities

2014/15 £000		2015/16 £000
66,508	Purchase of property, plant and equipment, investment property and intangible assets	62,788
300	Long term loans granted	0
(1,081)	Purchase of short term investments	(18,659)
0	Purchase of Long term investments	190
0	Capital Grants and Contributions Repaid	103
(14,453)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,524)
(26,282)	Capital Grants and Contributions Received	(18,829)
(315)	Other receipts from investing activities	(551)
24,677	Net cash outflow from Investing Activities	18,518

Note 41 Cash Flow – from Financing Activities

2014/15 £000		2015/16 £000
(25,771)	Cash receipts of short- and long-term borrowing	(49,000)
1,820	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,444
33,051	Repayments of short- and long-term borrowing	41,285
(775)	Other payments for financing activities	217
8,325	Net cash outflow from Financing Activities	(6,054)

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.

2014/15 £000		2015/16 £000
749,450	Opening Capital Financing Requirement Capital Investment	781,614
61,102	Property, Plant and Equipment	76,125
4,330	Investment Properties	15
1,054	Intangible Assets	283
26	Heritage Asset	7
300	Long Term Debtors (Capital Expenditure Loans)	0
6,188	Revenue Expenditure funded from Capital under Statute	5,464
822,450		863,508
	Sources of finance:	
(4,613)	Capital receipts to finance new capital expenditure	(3,091)
(2,531)	Capital receipts to repay debt	0
(26,722)	Government grants and other contributions	(19,318)
(20,392)	Major Repairs Allowance	(20,932)
	Sums set aside from revenue	
	Direct revenue contributions:	
(1,279)	General Fund	(650)
(8,513)	Housing Revenue Account	(4,572)
(9,696)	Minimum Revenue Provision	(5,869)
0	MRP holiday	5,310
0	To correct pre 2007/08 MRP adjustment	(25,501)
34,783	Adjustment to prior years statutory provision for the financing of capital investment charges against the General Fund and HRA Balances	0
(53)	Transfer of Finance Lease Liability to Academy	0
(1,820)	Write down of finance lease liability	(1,637)
(40,836)		(76,260)
781,614	Closing Capital Finance Requirement	787,248

2014/15 £000	Explanation of movements in year	2015/16 £000
32,164	Increase in underlying need to borrowing (unsupported by government financial assistance)	(8,050)
0	Assets acquired under finance leases	13,683
32,164	Increase in Capital Financing Requirement	5,633

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 15 £000	31 Mar 16 £000
Finance Lease Liability outstanding at start of year	(29,046)	(28,769)
Principal repaid in year	224	217
Less: Schools converting to Academies Finance Lease Liability written off	53	0
New Liabilities arising in year	0	(189)
Balance outstanding at year end	(28,769)	(28,741)
Short Term Creditors	(188)	(234)
Long Term Liabilities	(28,581)	(28,507)

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 15 £000	31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000
Not later than one year	(2,837)	(3,086)	(188)	(234)
Later than one year and not later than five years	(12,585)	(12,824)	(847)	(1,007)
Later than five years	(120,497)	(117,342)	(27,734)	(27,499)

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

2014/15 £000		2015/16 £000
28,346	Land and buildings	28,642
178	Vehicles, Plant, Furniture and Equipment	390
28,524	Total	29,032

(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:

2014/15 £000		2015/16 £000
1,496	Within one year	1,148
2,703	Between one year and five years	2,027
5,558	After more than five years	5,259

The expenditure charged to service in 2015/16 in the Comprehensive Income and Expenditure statement in relation to these leases was £2.397m (£2.115m 2014/15).

(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 2016, the Council has in place three long-term contracts under Private Finance Initiative (PFI) arrangements, one of which, the Waste PFI, is a joint contract with Barnsley and Doncaster Councils. 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 8 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 6 PFI schools, 2 primary and 4 secondary schools which have converted to academy trusts 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 £15.242m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6.223m 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 Projects (Rotherham) Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31 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 £4.620m. In the same period the Council received £1.811m 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's joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) became operational in July 2015. The contract is providing residual waste facilities for the 3 boroughs. The Councils have been jointly awarded £77.4m PFI credits for this project. The Council received £2.01m of PFI grant in support of this project in 2015/16, this included £0.224m which relates to the 2014/15 commissioning period, but was paid in 2015/16. Payments during the year totalled £4.713m. 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 2015/16:

	31 Mar 15 £000	31 Mar 16 £000
Balance outstanding at start of year	(98,524)	(96,928)
Principal repaid in year	1,596	1,444
Add:		
Waste PFI Finance Lease Liability	0	(13,517)
Balance outstanding at year end	(96,928)	(109,001)
Short Term Creditors	(1,444)	(1,951)
Long Term Liabilities	(95,484)	(107,050)

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	14,750	1,951	10,414	27,115
Two to five years	60,665	11,298	41,221	113,184
Six to ten years	89,330	17,768	46,280	153,378
Eleven to Fifteen years	100,674	28,446	40,018	169,138
Sixteen to twenty years	93,039	30,541	27,648	151,228
Twenty one to twenty five years	75,113	15,984	12,381	103,478
Twenty six to thirty years	12,551	3,012	3,457	19,020

The carrying value of PFI Assets has come down by £16.5m (2014/15 £25.2m) due to PFI schools converting to academies.

Note 45 Capitalised borrowing costs

The Council had no capitalised borrowing costs during 2015/16 (£30,038 in 2014/15) the capitalisation rate used in 2014/15 was 4.69%.

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.

Lord Hardy Court Nursing Home

Following a death at the nursing home in 2013 and resulting outcome in the Coroners Court in 2015, the Adults Safeguarding Board commissioned a Safeguarding Review. There is a possibility of the family of the deceased pursuing a litigation claim against the Council.

RMBC Transport Incident

A passenger sustained an injury whilst being transported in a Council Vehicle. This incident is currently being investigated by the Council's Safeguarding and Health and Safety Team. The family have advised a solicitor to act on their behalf.

Note 47 Contingent Assets

Claims for recovery of tax and damages

Protective VAT claims have been submitted to HMRC to recover VAT on Disabled Facilities Grants, Landfill Tax, Compound Interest and Cultural Exemption. There is also a claim for damages filed at the High Court against Royal Mail. The quantity and strength of the claims have yet to be determined by litigation.

Note 48 Trust Funds

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

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

	Balance as at 1 Apr 2015 £	Income £	Expenditure £	Balance as at 31 Mar 16 £
Treeton Council School War Memorial	687	28	0	715
EJ Butland, Treeton Infants	594	28	0	622
Whiston Two Wars Memorial	490	110	0	600
Total	1,771	166	0	1,937

Trust Funds – Balance Sheet

2014/15 £		2015/16 £
	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
48	- Debtors	48
1,723	- Cash	1,889
2,121	Total Assets	2,287
	Financed by:	
350	- Fund Balance	350
1,771	- Accumulated Investment Interest	1,937
2,121	Total Equity	2,287

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.

MRP

A change in MRP policy in 2014/15 to produce a fairer charge to revenue in respect of pre 2007/08 debt led to £34.783m of MRP that had been charged to revenue over the period 2007/08 to 2014/15 being credited back to revenue. This was then transferred in full to an MRP Adjustment Reserve at the end of 2014/15.

Working with its External Auditors, the Council has evaluated whether any of the sum set aside in the reserve could be prudently released early. In concluding this evaluation the Council's External Auditors indicated that the sum held in the earmarked reserve should no longer be held in a reserve in the Balance Sheet but retained in the Capital Adjustment Account, and could be released over a period of time by taking an annual MRP holiday.

The net impact of this change in disclosure as at 31st March 2016 resulted in £20.191m of the MRP Adjustment Reserve being transferred to the Capital Adjustment Account to be released to revenue over time by taking an MRP holiday. The balance of £14.592m is the amount released from the Capital Adjustment Account in respect of the 2014/15 and 2015/16 financial years by applying the MRP holiday for those years.

Loss on disposal of non current assets

The loss on disposal of non current assets reported in Note 4 includes £23.668m of school property, plant and equipment transferred from the Council's balance sheet as a result of schools converting to an academy.

Note 50 Other Long-term Liabilities

31 Mar 15 £000		31 Mar 16 £000	Notes
(95,483)	PFI Liability	(107,048)	44
(28,581)	Finance Lease Liability	(28,507)	43
(369,800)	Pension Liability	(320,292)	18
(8,696)	Deferred Liabilities	(7,272)	50
(502,560)	Total	(463,119)	

Deferred Liabilities

The Council has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 92 of this Statement refers). As at 31 March 2016 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £8,695,947 comprising £1,424,370 maturing within one year and £7,271,577 after that date.

Note 51 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Judith Badger, Strategic Director of Finance and Customer Services on 29 June 2016. 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 2016, 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.

2014/15 £000		2015/16 £000	Notes
	Expenditure		
17,031	Repairs and maintenance	18,889	
17,785	Supervision and management	19,322	
194	Rents, rates, taxes and other charges	267	
31,985	Depreciation and impairment of Non Current Assets	31,796	
174	Debt management costs	121	
903	Provision for bad or doubtful debts	961	9
68,072	Total Expenditure	71,356	
	Income		
77,944	Dwelling rents	79,045	
755	Non-dwelling rents	775	
4,901	Charges for services and facilities	5,092	
83,600	Total Income	84,912	
(15,528)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(13,556)	
259	HRA services share of Corporate and Democratic Core	283	
(13)	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	(327)	
(15,282)	Net Cost of HRA Services	(13,600)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(1,709)	Gain on sale of HRA Non Current Assets	(1,880)	
14,392	Interest Payable and similar charges	13,784	10
(86)	Interest receivable	(96)	
402	Pensions interest cost and expected return on pension assets	484	11
(154)	Capital grants and contributions receivable	(621)	
(2,437)	Surplus for the year on HRA services	(1,929)	

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.

	2014/15			2015/16
£000	£000		£000	£000
	(16,697)	Balance on the HRA at the end of the previous year		(20,728)
(2,437)		Surplus for the year on HRA Income and Expenditure Account	(1,929)	
(1,594)		Adjustments between accounting basis and funding basis under statute	(5,275)	
(4,031)		Net increase before transfers to or from reserves	(7,204)	
	(4,031)	Increase in year on the HRA		(7,204)
	(20,728)	Balance on the HRA at the end of the current year		(27,932)

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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	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)	18,581	0	18,581
Capital grants and contributions applied	(154)	0	(154)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,709)	0	(1,709)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(8,513)	0	(8,513)
Adjustments primarily involving the Major Repairs Reserve:			
Reversal of Major Repairs Allowance credited to the HRA	(6,585)	6,585	0
HRA Depreciation to the Capital Adjustment Account	0	13,321	13,321
Use of the Major Repairs Reserve to finance new capital expenditure	0	(20,392)	(20,392)
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	90	0	90
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	814	0	814
Employer's pension contributions and direct payments to pensioners payable in the year	(929)	0	(929)
Short-term Accumulated Absences Account	(1)	0	(1)
Total Adjustments	1,594	(486)	1,108

Note 1 continued

2015/16	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)	18,821	0	18,821
Capital grants and contributions applied	(621)	0	(621)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,880)	0	(1,880)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(4,572)	0	(4,572)
Adjustments primarily involving the Major Repairs Reserve:			
Transfer from HRA to Major Repairs Reserve re notional MRA	(7,098)	7,098	0
HRA Depreciation to the Capital Adjustment Account	0	12,970	12,970
Use of the Major Repairs Reserve to finance new capital expenditure	0	(20,932)	(20,932)
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	130	0	130
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,602	0	1,602
Employer's pension contributions and direct payments to pensioners payable in the year	(1,103)	0	(1,103)
Short-term Accumulated Absences Account	(3)	0	(3)
Total Adjustments	5,276	(864)	4,412

Note 2 Transfers to or from Earmarked Reserves

	Bal at 1 Apr 14 £000	Trans in 2014/15 £000	Trans out 2014/15 £000	Bal at 31 Mar 15 £000	Bal at 1 Apr 15 £000	Trans in 2015/16 £000	Trans out 2015/16 £000	Bal at 31 Mar 16 £000
Furnished Homes	3,186	0	(3,186)	0	0	0	0	0
Total	3,186	0	(3,186)	0	0	0	0	0

The Furnished Homes service provision and the earmarked reserve balance were transferred to the General Fund in 2014/15.

Note 3 Housing Stock at 31 March 2015

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,200	2,786	4,990
2 Bedroom	1,952	2,813	1,916	6,681
3 Bedroom	8,366	306	45	8,717
4+ Bedroom	263	9	1	273
Total	10,585	5,328	4,748	20,661

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 14	528,477	9,132	475	52	4,302	542,438
Additions	29,113	74	12	1,326	0	30,525
Accumulated Depreciation and Impairment written out to gross cost/valuation	(37,719)	(1,708)	0	0	(1)	(39,428)
Revaluation increases/decreases to Revaluation Reserve	1,913	1,491	0	0	5	3,409
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	8,965	(83)	0	0	(14)	8,868
Derecognition	(2,899)	0	0	0	0	(2,899)
Assets reclassified (to) / from Investment Property	0	0	0	0	(268)	(268)
Other Movements in cost valuation	175	6,414	0	(1)	0	6,588
At 31 Mar 15	528,025	15,320	487	1,377	4,024	549,233
Depreciation and Impairment						
At 1 Apr 14	(37,490)	(1,200)	(68)	0	(1)	(38,759)
Accumulated Depreciation written out to gross cost/valuation	12,707	910	0	0	1	13,618
Accumulated Impairment written out to gross cost/valuation - as restated	25,011	798	0	0	0	25,809
Depreciation Charge	(12,639)	(612)	(68)	0	(2)	(13,321)
Impairment losses/reversals to Revaluation Reserve	(1,121)	(73)	0	0	0	(1,194)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(27,546)	(2)	0	0	0	(27,548)
Derecognition - Disposals	104	0	0	0	0	104
Other movements in depreciation and impairment	(14)	(503)	0	0	0	(517)
At 31 Mar 15	(40,988)	(682)	(136)	0	(2)	(41,808)
Net Book Value						
At 31 Mar 15	487,037	14,638	351	1,377	4,022	507,425
At 31 Mar 14	490,987	7,932	407	52	4,301	503,679

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Constructio n £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 15	528,025	15,320	487	1,377	4,024	549,233
Additions	26,208	348	4	1,579	0	28,139
Accumulated Depreciation and Impairment written out to gross cost/valuation	(41,191)	(498)	0	0	(2)	(41,691)
Revaluation increases/decreases to Revaluation Reserve	3,609	378	0	0	5,357	9,344
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	2,148	(7)	0	0	162	2,303
Derecognition - Disposals	(3,647)	0	0	0	(141)	(3,788)
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	135	135
Other Movements in cost valuation	731	(709)	0	(325)	(4)	(307)
At 31 Mar 16	515,883	14,832	491	2,631	9,531	543,368
Depreciation and Impairment						
At 1 Apr 15	(40,988)	(682)	(136)	0	(2)	(41,808)
Accumulated Depreciation written out to gross cost/valuation	12,589	467	0	0	0	13,056
Accumulated Impairment written out to gross cost/valuation	28,602	31	0	0	2	28,635
Depreciation Charge	(12,325)	(573)	(70)	0	(2)	(12,970)
Impairment losses/reversals to Revaluation Reserve	(717)	(311)	0	0	0	(1,028)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(20,969)	0	0	0	0	(20,969)
Derecognition - Disposals	63	0	0	0	0	63
Other movements in depreciation and impairment	(24)	24	0	0	0	0
At 31 Mar 16	(33,769)	(1,044)	(206)	0	(2)	(35,021)
Net Book Value						
At 31 Mar 16	482,114	13,788	285	2,631	9,529	508,347
At 31 Mar 15	487,037	14,638	351	1,377	4,022	507,425

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 15	1,589

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.

2014/15 £000		2015/16 £000
5,224	Balance as at 1 April	4,738
13,321	Depreciation in the year	12,970
6,585	Transfer to MRR	7,098
(20,392)	Financing of Capital Expenditure	(20,932)
4,738	Balance as at 31 March	3,873

Note 6 Financing of Capital Expenditure

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

	2015/16 £000
Borrowing Need	0
Capital Receipts	2,146
Revenue Contributions	4,572
Government Grants / Other Capital Income	617
Major Repairs Reserve	20,932
Total	28,267

During the year total capital receipts of £6.019m were received by the HRA, of which £3.881m 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 2015 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 2015 and has been calculated using the 'straight line' method over 15 years.

Note 8 Impairment

A net impairment charge of £18.659m has been included in the HRA Income and Expenditure Account (£18.699m in 2014/15). This charge is reflected in the HRA Income and Expenditure Account in arriving at the surplus 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 of £18.821m 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 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2014/15 £000	Rent Arrears	2015/16 £000
2,678	Current Tenants	3,581
3,658	Former Tenants	2,714
6,336	As at 31 March	6,295

As at 31 March 2016, the level of rent arrears for current tenants as a proportion of gross rent income was 4.11% (2014/15 3.12%).

2014/15 £000	Bad Debt Provision in respect of rent income	2015/16 £000
3,371	As at 1 April	3,734
774	Increase in Provision	836
(411)	Utilised in year	(1,677)
3,734	As at 31 March	2,893

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

2014/15 £000	Bad Debt Provision in respect of the rechargeable repairs	2015/16 £000
583	As at 1 April	540
130	Increase in Provision	125
(173)	Utilised in year	(139)
540	As at 31 March	526

Note 10 Interest Payable and Other Charges

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

Note 11 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 Council during the accounting period and the distribution of these funds.

REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2016

2014/15				2015/16			
Council Tax	Non Domestic Rates	Total		Council Tax	Non Domestic Rates	Total	
£000	£000	£000		£000	£000	£000	Note
100,309		100,309	Council Tax Receivable	104,226		104,226	
	73,925	73,925	National Non-Domestic Rates (excluding write-offs)		76,390	76,390	2
	402	402	Release of creditor re 2012/13 deferrals		0	0	
	(668)	(668)	NNDR Transitional Payments		(97)	(97)	
100,309	**73,659**	**173,968**	**Total Income**	**104,226**	**76,293**	**180,519**	
			Precepts:				
82,551	35,669	118,220	Rotherham Metropolitan Borough Council	85,891	36,509	122,400	
0	35,463	35,463	Central Government	0	36,651	36,651	
9,327		9,327	- South Yorkshire Police and Crime Commissioner	9,701		9,701	
4,174	719	4,893	South Yorkshire Fire & Civil Defence	4,342	739	5,081	
96,052	71,851	167,903		99,934	73,899	173,833	
			Distribution of previous years surplus - Council Tax:				
1,504	(1,501)	3	Rotherham Metropolitan Borough Council	2,000	(1,972)	28	
0	(1,532)	(1,532)	Central Government	0	(2,013)	(2,013)	
270	0	270	- South Yorkshire Police and Crime Commissioner	332	0	332	
121	(31)	90	South Yorkshire Fire & Civil Defence Authority	149	(40)	109	
1,895	(3,064)	(1,169)		2,481	(4,025)	(1,544)	
			Charges to Collection Fund:				
550	1,050	1,600	Write off of uncollectable amounts	412	435	847	
(227)	(488)	(715)	Increase in bad debt provision	293	69	362	
0	935	935	Increase in provision for appeals	0	2,464	2,464	
0	307	307	Cost of Collection	0	312	312	
0	152	152	Disregarded amounts	0	155	155	
323	1,956	2,279		705	3,435	4,140	
98,270	**70,743**	**169,013**	**Total amounts charged to the Collection Fund**	**103,120**	**73,309**	**176,429**	
2,039	2,916	4,955	Surplus arising during the year	1,106	2,984	4,090	
			Collection Fund Balance				
2,039	2,916	4,955	Surplus arising during the year	1,106	2,984	4,090	
4,461	(7,820)	(3,359)	Surplus brought forward	6,500	(4,904)	1,596	
6,500	(4,904)	1,596	Surplus carried forward	7,606	(1,920)	5,686	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 2015/16 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 @ 96.5%
A	25,920	6:9	25,013
B	14,179	7:9	13,683
C	11,517	8:9	11,114
D	7,932	9:9	7,655
E	4,980	11:9	4,805
F	2,248	13:9	2,169
G	1012	15:9	977
H	64	18:9	61
	67,852		65,477

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 2015/16 was 49.3 pence in the pound and a small business rating multiplier of 48 pence in the pound (48.2 pence and 47.1 pence respectively in 2014/15).

The NNDR income in 2015/16 after allowing for mandatory and discretionary reliefs of £76.390m (£73.925m 2014/15) was based on a total rateable value of £189.9m as at 31 March 2016 (£187.5m as at 31 March 2015).

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 2016 is a surplus of £5.686m (£1.596m surplus 2014/15) and consists of a £1.920m deficit (£4.904m deficit 2014/15) 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 £7.606m surplus (£6.500m surplus 2014/15) 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:

2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000		2015/16 Council Tax	2015/16 NNDR	2015/16 Total £000
5,962	(2,403)	3,559	Billing Authority – Rotherham MBC	7,045	(941)	6,104
0	(2,452)	(2,452)	Central Government	0	(960)	(960)
			Major Precepting Authorities:			
372	0	372	- South Yorkshire Police and Crime Commissioner	388	0	388
166	(49)	117	- South Yorkshire Fire and Civil Defence Authority	173	(19)	154
6,500	(4,904)	1,596	Total	7,606	(1,920)	5,686

Note 6 Parish Precepts

Precept demands are issued by the parishes on the Council as Billing Council. 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 Comprehensive Income and Expenditure Account (see Note 4 Other Operating Expenditure).

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.

2014/15 £000	Capital Account	2015/16 £000
(29,658)	Cash at bank 1 April	(36,877)
(35)	Transfer (from) Financial Instruments Adjustments Account	(36)
0	Adjustment to loans outstanding for interest accruals	0
0	Add: Expenditure in the year – Loans repaid	9,412
(29,693)		(27,501)
	Less Income:	
0	Loans raised	0
7,184	Repayments by Relevant Authorities	7,899
(36,877)	Cash at bank 31 March	(35,400)

2014/15 £000	Revenue Account	2015/16 £000
5,692	Interest Paid on Outstanding Loans	5,241
50	Management and other expenses	50
5,742		5,291
	Less Income:	
152	Notional Interest	169
5,590		5,122
5,590	Recharge to Relevant Authorities	5,122
0		0

2014/15 £000	Balance Sheet as at 31 March	2015/16 £000
	Capital Liabilities	
97,956	Loans Outstanding	88,540
(36,877)	Cash at bank	(35,400)
61,079		53,140
	Capital Assets	
60,973	Advances Outstanding	53,070
	Reserves	
106	Financial Instruments Adjustments Account (FIAA)	70
61,079		53,140

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 15 £000	31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000
Financial liabilities (principal amount) - PWLB	86,709	76,709	9,412	10,000
Financial liabilities at amortised cost - PWLB	86,709	76,709	11,247	11,831
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 15 £000		31 Mar 16 £000
11,247	Less than one year	11,831
10,000	Between one and two years	39,709
76,709	Between two and five years	37,000
97,956		88,540

Note 3 Financial Instruments – Fair Values

Fair Value of Financial Assets

At 31 March 2016 the Metropolitan Administration Account had no Available for Sale financial assets measured in the Balance Sheet at fair value on a recurring basis (Nil at 31 March 2015). There were no transfers between input levels 1 and 2 during the year and there has been no change in the valuation technique used during the year for Available for Sale financial instruments.

Fair Value of Financial Assets and Financial Liabilities not measured at Fair Value

All other financial liabilities and financial assets represented by loans and receivables which are not measured at Fair Value but for which a disclosure is required are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date.
- 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 carrying amount, either the principal outstanding or the billed amount.

The fair value of Public Works Loan Board (PWLB) loans of £98.369m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value (£9.829m) measures the additional interest that the Account will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Account has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £88.540m would be valued at £96.257m. But, if the Account was to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption by charging a premium equivalent to the additional interest, based on the redemption interest rates (£9.829m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £98.369m.

The fair values of the financial instruments are as follows:

31 Mar 15			31 Mar 16	
Carrying amount £000	Fair Value at Redemption rate £000		Carrying amount £000	Fair Value at Redemption rate £000
97,956	111,755	Financial Liabilities – Debt	88,540	98,369
0	0	Loans and Receivables	0	0

The fair value for financial liabilities is greater than the carrying value because the Account'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. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

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.

Unless directly attributable to a loan held at 31 March 2007 then all premiums and discounts carried on the Balance Sheet at that date were written off at 1 April 2007. Regulations allowed for this impact to be neutralised through transfer to this account. The balance is amortised to the Revenue Account in line with the provisions set down in the Council's accounting policies.

2014/15 £000		2015/16 £000
141	Balance at 1 April	106
	Movement in year	
(35)	Premium and discounts	(36)
106	Balance carried forward at 31 March	70

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 Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 ("the Code") and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts 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.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

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 Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

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 Code has adopted the concept of Fair Value in 2015/16. This requires assets and liabilities to be measured and disclosure provided in accordance with IFRS 13 "Fair Value measurement" where applicable. This assumes that an asset or liability is exchanged in an orderly transaction between market participants under the market conditions prevailing at the measurement date. Further detail of the impact of the adoption of IFRS 13 is set out in Note 2, Changes in Accounting Policies and Estimates and Errors below.

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.

Fair Value

The main change to the 2015/16 Code is the adoption of IFRS 13 Fair Value Measurement. This requires fair value measurement principles and disclosures to be applied to assets and liabilities which the Code requires be carried in the balance sheet at fair value. The change is being introduced prospectively from 1 April 2015 and does not therefore require comparatives to be restated.

The basic concept of IFRS 13 is that an asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. This means the highest and best use price obtained for an asset subject to any market restrictions on its use or sale, or the price paid to transfer a liability to another party to fulfil an obligation including any pricing of risk for non performance.

In order to assess fair value IFRS 13 sets out a hierarchy of valuation techniques that should be used in the following order of preference to maximise reliance on market data and to only use unobservable inputs as a minimum:

- Level 1 – quoted prices in active markets for identical items that can be obtained at the measurement date

- Level 2 – inputs observable for an asset or liability either directly or indirectly other than the quoted prices referred to in level 1. This may include, for example, quoted prices for similar assets or liabilities in an active market

- Level 3 – unobservable inputs where there is no market data available due to there being little, if any, market activity for an asset or liability at the measurement date

The Code requires disclosure of the level that has been used to measure classes of asset or liability at fair value, the reason for any transfers between level 1 and level 2, any changes in valuation technique for assets and liabilities measured at level 2 or level 3, and a considerable amount of additional disclosure about level 3 measurements.

The main impact on the Council's 2015/16 Statement of Accounts has been to:

- Remeasure surplus assets to fair value. This has resulted in an increase in their carrying value of £3.943m

- Remeasure investment properties to fair value. This has resulted in an decrease in their carrying value of £0.725m

- Provide additional disclosure of the basis of the fair value measurement of surplus assets, investment properties and financial liabilities (see Notes 19f, 20, 27 and Met Debt note 3), and;

- Update the accounting policy notes of assets, liabilities, income and expenditure measured at fair value

None of the other changes adopted in 2015/16 have had a material impact.

Minimum Revenue Provision (MRP)

Accounting Policy 15 has been further refined to make clear that the recovery of any MRP that has been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year.

This has no effect on the profiling of MRP charges to revenue but has resulted in a technical presentational change on the face of balance sheet, to transfer £20.191m of the balance on the MRP adjustment reserve to the capital adjustment account representing the amount of MRP to be recovered in future years and releasing the remaining balance of £14.591m representing the amount of MRP recoverable in 2014/15 and 2015/16 to various revenue reserves.

Accounting Standards not yet adopted by the Code – Highways Network Asset

The adoption of the CIPFA Code of Practice on Transport Infrastructure Assets in the Code in 2016/17 will create a single integrated highways network asset on 1 April 2016 and change the measurement basis from historic cost to current value. The change in the basis of measurement will produce a material upward revaluation in its carrying value. Further detail on the expected impact of the change is provided in Part B of the Accounting Policies Statement on Page 115.

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.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable.

Revenue is recognised when the following conditions have been met::

- 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 2015/16 (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 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. 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 – current value based on existing use value for social housing (EUV-SH)

- all other assets – current value based on existing use (existing use value – EUV) for non specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

<u>Impairment of Assets</u>

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. Fair Value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. 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)

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is determined having regard to the relevant statutory requirements and related guidance on MRP issued by DCLG.

The recovery of any MRP that has been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year.

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 balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). 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 Council 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 – are accounted for as they are incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator. An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment / additional liability is carried forward in the balance sheet until the expenditure is actually incurred / settled, or , in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 14.

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 being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period.. 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. They are initially measured at fair value, this being the price that would be received in an orderly transaction between market participants on the date on which the asset is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan advanced. Thereafter 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 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. Fair Value is measured by reference to prevailing interest or market rates using an appropriate valuation technique.

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 this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are 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.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

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.

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 three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business service
- 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

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and 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:

- 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 Strategic Director of Finance and Customer 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 exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non contractual, and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it is has exposure to or rights over variable returns and can use its power over the entity to effect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council..

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

29 Acquisitions and discontinued operations

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as “transferred in” or “transferred out” operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

B) Accounting Standards issued but not yet adopted

Amendments have been made to a number of accounting standards which will not be adopted by the Code until 2016/17. The most significant change by far concerns the measurement of the highways network asset. The other significant changes are more presentational in nature concerning the way in which financial performance is to be reported.

A brief description of the accounting changes and their estimated financial effect is provided below.

Highways Network Asset

The measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets (to be renamed the Code of Practice on the Highways Network Asset subject to a short consultation), will be adopted in the 2016/17 Code. This will lead to the creation of a single highways network asset comprising an interconnected network of roads, street lighting, signage, traffic management systems, footpaths and cycleways, bridges and other structures and land,

It will also lead to the highways network asset being measured at its current value rather than historical cost, using depreciated replacement cost (DRC) as the method of valuation, This is to reflect CIPFA's view that the network exists for the single purpose of securing the effective and safe management of traffic using the network,

The change in accounting policy comes into effect from 1 April 2016. CIPFA have confirmed in the Update to the 2015/16 Code that the transition arrangements will not require comparatives to be restated or the opening balance on 1 April 2016 to be restated as a prior period adjustment. The new valuation will instead be accounted for in 2016/17 as an in year revaluation on 1 April 2016.

Under the DRC approach, the current value will be determined by estimating the gross replacement cost of each component (roads, street lighting, signage, traffic management systems, footpaths and cycleways, bridges and other structures and land) on a modern equivalent basis and deducting the estimated accumulated depreciation to arrive at the depreciated replacement cost.

This measurement is currently in progress and indications are that it will lead to a material increase in the value of the highways network asset disclosed in the Council's Balance Sheet.

The accounting entries for the Highways Network Asset will be evaluated more fully by reference to section 4.11 of the 2016/17 Code and the draft Highways Network Asset Accounting Guidance for Practitioners being prepared by CIPFA / LAAP once finalised.

Reporting financial performance

As part of CIPFA's drive to improve the reporting of local authority financial performance in response to IAS 1 Presentation of Financial Statements, significant changes have been adopted in the 2016/17 Code in the presentation of the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement and segmental reporting.

From 2016/17, the service expenditure analysis in the CIES will be based on that used for reporting internally to management rather than the standard analysis prescribed in the Service Reporting Code of Practice (SeRCOP). A key change will be the treatment of support service costs or overheads. Under SeRCOP, support service costs are apportioned out to front line services to determine the total cost of providing a service. Under the new segmental reporting requirements, if support services are operated, managed and reported as a separate segment they will not be apportioned across services but instead reported separately in their own right. This will represent a major change to the presentation in the CIES and require comparatives in the 2016/17 accounts to be restated.

A new Funding and Expenditure Analysis will be introduced which provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants.

The reconciliation will be included in a simplified Movement in Reserves statement together with other movements in reserves. Additional disclosure will continue to be provided on material reconciling adjustments between the amounts reported in the CIES on an accounting basis and the net amount chargeable to the General Fund and HRA on a funding basis.

These changes will meet the segmental reporting requirements of the Code and hence the segmental reporting note will no longer be required.

The disclosure of sources of income and type of expense previously included within the segmental reporting note will still be required but only in relation to the authority as a whole not segmental level.

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:

- Back funding pension contributions - The Council is liable to make annual revenue contributions in respect of its Pension Fund deficit liabilities as specified in the actuary's certificate of rates and contributions. Agreement was reached with South Yorkshire Pensions Authority that the amounts due in respect of 2015/16 and 2016/17 could be settled by way of a single payment made in April 2015. The amount settled in April 2015 in respect of 2016/17 is £9.739m and this has been offset against the pension liability in the balance sheet. The discount received from the Pensions Authority for early settlement has been apportioned to 2015/16 and 2016/17 pro rata to the back funding contributions that were due to be paid over in each respective year.

- Better Care Fund – The Council entered into a partnership agreement with Rotherham CCG in April 2015 to manage the Better Care Fund (BCF) as a pooled budget arrangement from 2015/16. A joint assessment has been conducted with the CCG on how the arrangement should be accounted for by reference to the Department of Health Group Manual for Accounts 2015/16 (Chapter 3 Annex 1) and the guidance on “Pooled budgets and the Better Care Fund” produced in October 2014 by HFMA /CIPFA. In accordance with this guidance, the Council has recognised income and expenditure and assets and liabilities proportionate to the risks and rewards it enjoys. The total available BCF funding for the year was £23.245m, of which the Council was allocated and recognised in its accounts £10.071m of income and £9.465m of expenditure, resulting in an under spend of £0.606m which was approved by the BCF Board to support over spends elsewhere in the BCF programme.

- Waste PFI - Barnsley, Doncaster and Rotherham have jointly entered into a PFI contract for the construction, development and operation of a new mechanical biological treatment plant (ITS facility) with a processing capacity of 250,000 tonnes p.a, and anaerobic digestion facility (AD facility) to generate power from gas emissions for use on site and produce a bio-compost for land remediation. The three authorities jointly exercise control, over the new ITSAD waste facility constructed by the PFI operator for the purposes of fulfilling the PFI contract with key decisions about its activities requiring the consent of all three parties sharing control. Accordingly, it has been treated as a joint operation with the Council recognising its share of the assets and liabilities and income and expenditure. This resulted in the Council recognising its share of the ITSAD facility and associated liability £13.517m when the scheme became operational in July 2015 and its share of the subsequent transactions thereafter.

- 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. Valuation Office statistics on appeals lodged and settled since the April 2010 rating valuation has been used to arrive at the best estimate of the likely level of business rate income collectable up to and including 2015/16 which may have to be refunded as a result of outstanding appeals as at 31 March 2016. The Council’s share of £5.081m 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.

MRP

As stated in Accounting policy Note 15, the Council is required to make a prudent provision (Minimum Revenue Provision or MRP) to repay debt each year relating to capital expenditure financed by borrowing or credit arrangements.

As set out in Accounting Policy 2, this has been further refined to make clear that the recovery of any MRP that has been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year.

The latest assumption for financial planning purposes is that the maximum amount of MRP holiday permissible each year will be taken up in future years until it has been fully exhausted. However, this is subject to annual review in setting the Council’s annual MRP Policy and may therefore vary in the future.

Pensions liability

Included in the Council's Balance Sheet at 31 March 2016 is an estimated pensions liability of £320m. This compares to £370m at 31 March 2015 and £264m at 31 March 2014. The volatility in the amount of the liability is due to it being highly sensitive to a number of key assumptions used to determine pension fund liabilities, including the rate at which future liabilities are discounted to present value terms, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and the rate of inflation. The sensitivity analysis provided in Note 18 sets out how small changes to these key assumptions can result in a material change to the pensions liability. 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 Council as a result of past events from which future economic benefits or service potential is expected to flow to the Council.

- 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 Council'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 Council 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 Council 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 Council'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 Council'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 Council 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 Council 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 Council'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 Council'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 Council; it replaces the Schools Formula Spending Share (FSS).

EARMARKED RESERVE

A sum set aside in a reserve for a specific purpose.

EQUITY

The Council'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 Council 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 Council 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 Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council 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 Council.

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 Council 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 Council 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 Council 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 Council’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 Council 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 Council 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 Council.

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 Council'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 Council on behalf of the Council, Central Government, and South Yorkshire Fire and Civil Defence Council 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 NDR 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 Council'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 Council 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 Council. 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 Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits form the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the end of the financial year.

A summary of this document can be made available in your language and in alternative formats such as Braille, large print, electronic and audio-tape versions. Contact us at:

Email: central.finance@rotherham.gov.uk

‘’If you or someone you know needs help to understand or read this document, please contact us’’:

☎: 01709 822022 💻:central.finance@rotherham.gov.uk

Minicom: 01709 823536

Slovak **Slovensky**

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

Kurdish Sorani **کوردی سۆرانی**

ئەگەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بەیارمەتی هەبێت بۆ ئەوەی لەم بەڵگەنامە یە تێبگات یان بیخوێنێتەوە، تکایە پەیوەندیمان پێوە بکە لەسەر ئەو ژمارەیەی سەرەوەدا یان بەو ئیمەیڵە.

Arabic **عربي**

إذا كنت انت أواي شخص تعرفه بحاجة إلى مساعدة لفهم أوقراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

Urdu **أرد و**

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

Farsi **فارسی**

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

 Agenda Item 7

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report:
Audit Committee

Title:
2015/16 Draft Annual Governance Statement (AGS)

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report:
Judith Badger (Strategic Director Finance and Customer Services)

Report Author(s):
Colin Earl (Assistant Director Audit, ICT & Procurement)

Ward(s) Affected:
None

Executive Summary:
The purpose of this report is to seek approval for the draft Annual Governance Statement (AGS) 2015/16.

The AGS must be a fair reflection of the Council's arrangements and its current position. Readers, for example the external auditor, must recognise the Authority the document is describing. As would be expected, the 2014/15 AGS included substantial references to the Jay, Ofsted and Casey reports and subsequent Government intervention. These issues remain very significant context to the Council's current position and its arrangements, alongside the improvement work that has been in place now for over a year.

The overall conclusion of the review of governance is that, although there has been much positive progress over the course of the last year, <u>the Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year</u>.

The Accounts and Audit Regulations require the draft AGS to be published alongside the draft Statement of Accounts by 30 June 2016, with final versions of both required by 30 September 2016.

Consultation has been carried out with Commissioners, Cabinet Members and the external auditor, and their comments have been reflected in the draft AGS attached.

Recommendation:

The Audit Committee is asked:

- **to agree the draft AGS attached**
- **to note a final version will be presented to the Committee for approval in September, following the completion of the audit of accounts by KPMG.**

Background Papers:
"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives)

Consideration by any other Council Committee, Scrutiny or Advisory Panel:
No

Council Approval Required:
No

Exempt from the Press and Public:
No

Title:

2015/16 Annual Governance Statement (AGS)

1. Recommendations

1.1 The Audit Committee is asked:

- to agree the draft AGS attached
- to note a final version will be presented to the Committee for approval in September, following the completion of the audit of accounts by KPMG.

2. Background

2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2.2 In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal control in place, which facilitate the effective exercise of the Council's functions and which include arrangements for the management of risk.

2.3 The Accounts and Audit (England) Regulations 2015 require local authorities to:

- *conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 6 (1))*
- *publish the annual governance statement alongside the <u>draft</u> statement of accounts by 30 June – nb this AGS can be a draft AGS (Regulations 15 (2) and 21 (b))*
- *publish the approved statement of accounts and annual governance statement by 30 September.*

2.4 The CIPFA / SOLACE Delivering Good Governance guidance (2012) suggests the Leader and the Chief Executive should sign a certificate (at the end of the AGS) confirming that the AGS accurately reflects the arrangements in place during the year and the effectiveness of those arrangements. This should be done after the approval of the Statement and prior to its publication. It is the responsibility of the Audit Committee to approve the AGS.

2.5 In view of the above, the proposed timeline for the production and publication of the draft AGS, and the subsequent approval of the final AGS, is as follows:

Actions Required	Timescale
Draft Annual Governance Statement published alongside the unaudited Statement of Accounts	**30 June**
External Audit of the accounts takes place	July to August
Revisions to the draft AGS to take into account any findings from the external audit of the accounts and any significant developments since the publication of the draft AGS, for review by the Strategic Leadership Team	6 Sept
Circulation of any revisions to Commissioners, Members and external audit for comments.	8 September, comments by 13 September
Presentation of a draft final AGS to the Audit Committee for formal review and approval	**21 September 2016**
Leader and Chief Executive to sign the approved statement	**By 30 September 2016**
Publication of the Final Approved Annual Governance Statement 2015/16, alongside the audited statement of accounts	**By 30 September 2016**

2.5 The structure of the AGS is as follows:

- Section 1: Scope of the Council’s responsibility
- Section 2: Purpose of the Governance Framework
- Section 3: Child Sexual Exploitation, Ofsted and Corporate Governance Inspections and Government Intervention
- Section 4: Improvement Progress Made During 2015/16
- Section 5: General Corporate Governance Arrangements and Their Operation During the Year
- Section 6: Update on Other Matters Referred to in the Annual Governance Statement 2014/15
- Section 7: Other Significant Issues Arising During 2015/16
- *Section 8: Update Since May 2016 (** this will be added in September, prior to the final approval)*
- Section 9: Leader and Chief Executive Statement 2015/16
- Appendix 1: Commissioners Appointed to Rotherham Council

3. Significant Governance Issues

3.1 The AGS must be a fair reflection of the Council's arrangements and its current position. The 2014/15 AGS included substantial references to the Jay, Ofsted and Casey reports and subsequent Government intervention. These issues still present a very significant backdrop to the Council's current position and its arrangements, alongside the improvement work that has been in place now for over a year. Sections 3 and 4 of the draft 2015/16 AGS attached at **Appendix 1** still, therefore, make reference to these very important factors which affect the Council's operation.

3.3 Section 6 contains an update on other significant issues arising during 2014/15, which included:

- A failure to effectively commission and manage the delivery of school improvement activity
- Inadequate arrangements for taxi-licensing
- Inadequate arrangements for minimising the risk of harm to Looked After Children when transport is arranged outside of the Council's Home to School Transport contracts is used, and
- Weaknesses in arrangements for ensuring contractors were effectively and consistently assuring the safety of tenants when carrying out gas servicing works on behalf of the Council.

3.4 Other issues arising in the year from the review of internal control are identified in Section 7 and include:

- The need to develop Service Planning and Performance Management
- The need to further develop Risk Management
- Improvements required in relation to the management of Major Projects
- Weaknesses in relation to Procurement and Contracts Management
- Weaknesses in relation to Information Governance and the management of Freedom of Information Requests.

3.5 Internal Audit presented its annual report to the Audit Committee on 27 April 2016. The report confirmed positive progress had been made during the year, but also highlighted significant weaknesses identified from the work of Internal Audit. The weaknesses led to an opinion by Internal Audit that the Council's control environment was inadequate during 2015/16. Further progress is needed to ensure better internal controls are embedded, and are reflected in audit conclusions reached following Internal Audit's work (See paragraphs 5.10 to 5.12 of the AGS).

3.6 The overall conclusion on the effectiveness of the Council's governance arrangements, included in the Annual Governance Statement is as follows:

> *"9.5 While there are clear and demonstrable progress and improving foundations to build upon and which, along with the early restoration of some powers, give the Council cause for optimism for 2016/17, our overall conclusion for 2015/16 is a*

cautious one. The Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year. The action plans in place, including a new Year 2 Corporate Improvement Plan, will continue to bring the Council rapidly up to a point where it operates effectively and fully in accordance with good governance. Councillors, commissioners and staff continue to work together to sustain the momentum achieved during the past 12 months in order to realise the further improvement still necessary".

Contact Names:
Colin Earl, Assistant Director Audit, ICT and Procurement Ext 22033

Appendix 1 - Draft Annual Governance Statement 2015/16

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

Annual Governance Statement 2015/16

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2015/16

1 SCOPE OF RESPONSIBILITY

1.1 Rotherham Metropolitan Borough Council (the 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. The 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 (the Best Value duty).

1.2 In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring there are effective arrangements in place for the management of risk.

1.3 The Council has a Code of Corporate Governance in line with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. The Code can be found at www.rotherham.gov.uk

1.4 This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The system of internal control is based on an on-going process that is designed to:

- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively and economically.

3 CHILD SEXUAL EXPLOITATION, OFSTED AND CORPORATE GOVERNANCE INSPECTIONS, AND GOVERNMENT INTERVENTION

3.1 The report of Professor Alexis Jay into Child Sexual Exploitation (CSE) in Rotherham, published in August 2014, highlighted collective failures of political and officer leadership in addressing the crime of CSE.

3.2 The Council was also subject to an Ofsted Inspection of its Children's Services in 2014, culminating in a report published in November 2014, which found weaknesses in leadership, management and governance and social care practice. The overall conclusion from the inspection was that there were widespread and serious failures that resulted in Children being harmed or at risk of harm. It also found leaders and managers had been ineffective in prioritising, challenging and making improvements.

3.3 As a result of the Jay and Ofsted Reports, the Government appointed Louise Casey, CB, to lead a Corporate Governance Inspection into Rotherham Council. The resulting 'Casey Report', produced in February 2015, set out a succession of serious, corporate failings across the organisation as well as in its wider partnership relations. It concluded "*The Council is currently incapable of tackling its weaknesses, without a sustained intervention*".

3.4 In response to the Council's failings and following Directions issued by the Secretaries of State for Education and Communities and Local Government on 26th February 2015, the Government appointed five Commissioners to take on all executive responsibilities at the Council and responsibilities of licensing*[1]. The Commissioners appointed to the Council are listed in **Appendix 1**.

3.5 Section 4 below summarises the progress made to date in addressing the weaknesses identified in the Jay, Ofsted and Casey Reports.

3.6 The Council's general governance arrangements include a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. In February 2015, the Casey Report stated "*on paper Rotherham has reasonable arrangements within the expected range*". However, the Jay, Ofsted and Casey Reports made clear that some of the Council's arrangements were weak and there were also a number of serious failings in the operation of the Council's arrangements. Section 5 makes reference to the operation of general governance arrangements in place at the Council and includes annual statutory assessments made by Internal and External Audit.

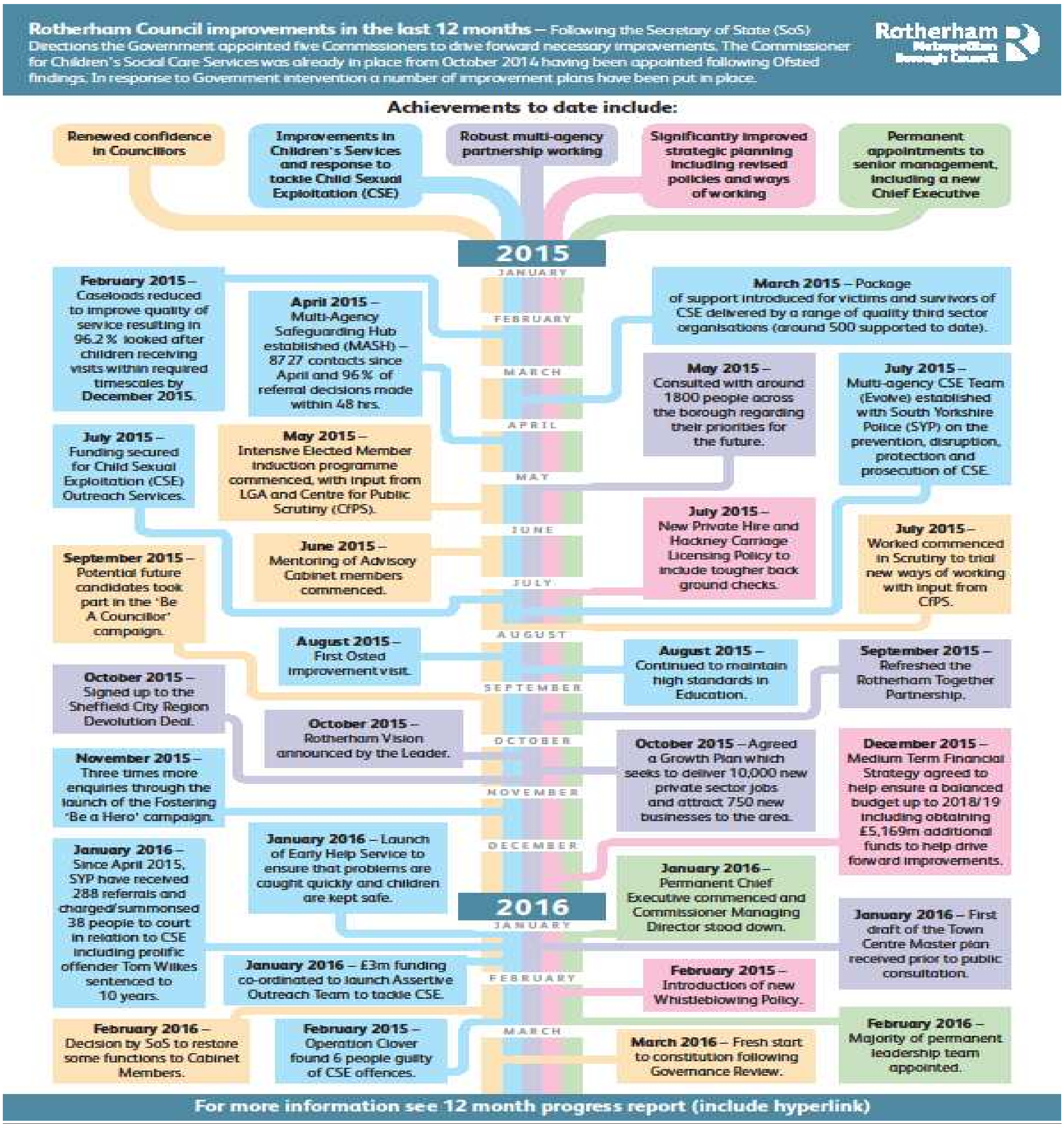
The Jay and Casey reports can be found at www.rotherham.gov.uk
The Ofsted report is held at www.gov.uk/government/organisations/ofsted

[1] The Commissioner for Children's Social Care Services had been in place since October 2014 having been appointed initially by the Secretary of State for Education following the failings identified by Ofsted.

4 IMPROVEMENT PROGRESS MADE DURING 2015/16

Commissioners' Twelve Month Progress Review

4.1 In February 2016, the Commissioners produced a twelve months progress review to the Department for Communities and Local Government. The review shows a considerable amount of positive progress has been made, while confirming the significant challenges still to be addressed. The chart below is extracted from the review and highlights some of the key improvements achieved over the year.



The Twelve Months Review can be found at www.rotherham.gov.uk

4.2 More details can be found below covering Children's Services, Child Sexual Exploitation and Corporate Improvement, including the partial Restoration of Powers.

Children's Services

4.3 The 2014 Ofsted inspection judged Children's Care Services as inadequate in every domain other than adoption which was judged as requiring improvement. The '*front door*' arrangements for receiving and filtering work were seriously inadequate. Referrals were not being responded to appropriately or in a timely fashion and child protection arrangements were not compliant with statutory guidance. There was a lack of engagement from partners in the assessment of risk to vulnerable children. The Police had not been supporting social workers in child protection investigations, and strategy discussions had not included health, schools or other agencies routinely. There was a serious lack of middle management capacity to provide effective oversight, insufficient social workers, unmanageable workloads and a significant failure to comply with statutory minimum standards.

4.4 The Council's first Children and Young People's Services Improvement Board Action Plan focussed on delivering the urgent actions and outcomes required in response to the recommendations made in November 2014, following the Ofsted inspection. A refreshed second improvement plan was agreed in September 2015 with a focus on longer term sustainable improvements. The new plan aims to support the Council's commitment in becoming '*a Child Centred Borough*' with high quality services. Outstanding actions from the old plan were transferred to the refreshed plan.

4.5 The Council and its partners have made significant progress since the Ofsted report and improvements have particularly accelerated in the last 12 months. In particular (*as extracted from the Commissioners' Twelve Months Review*):

- The Council and South Yorkshire Police have benefited from the temporary introduction of additional external expertise alongside the appointment of new managers and staff.
- Leadership capacity within Children's Services had been strengthened by the end of 2015/16. It now has in place an experienced permanent Strategic Director, a new expanded team of permanent Assistant Directors and has almost completed the appointment to its middle management structure.
- The service now has sound performance and management information arrangements in place and this is effectively interrogated by senior managers, with team managers held accountable for the performance of their teams.

- There are considered to be no longer widespread failures in the service, all cases are allocated, and there are no untoward delays in children and families being assessed and receiving services. There is good compliance with statutory arrangements to visit children and complete plans. The challenge which remains is consistency of social work practice to ensure outcomes for children are consistently good.
- Progress in tackling CSE is worthy of note with Ofsted Improvement Inspectors judging all cases reviewed to be 'good'.
- The Council has moved swiftly to tackle the weaknesses within its residential sector following two disappointing residential care home inspections in the autumn of 2015. It has commissioned a review of its residential sector and has since closed two residential care homes. Ofsted inspected the Council's short breaks residential facility in February of this year and rated it as good.

4.6 Additionally, the Council and it partners have strengthened the *front door* arrangements with a secure Multi-Agency Safeguarding Hub (MASH). Ofsted confirmed the arrangements appeared sound during their last improvement visit and since that time the Council has commissioned an independent assessment which has also commended the calibre of the operational lead and decision making processes. Single assessments are now completed in a timely fashion.

4.7 Four Ofsted improvement visits during 2015/16 covering the Multi-Agency Safeguarding Hub, Duty & Assessment, Child in Need, Child Protection, Leadership, Management & Governance, Child Sexual Exploitation and 'missing' children, have been encouraging. Positive progress has been noted, and ongoing challenges reflected. The Council can demonstrate it now knows where improvements need to be made and has plans in place to achieve the improvements.

4.8 There remain, however, some considerable risks. Progress will continue to depend on the Council meeting its vision for prioritising Children's Services and maintaining improvement within the services. This will include managing the significant financial pressure brought about by the need to strengthen the service. It is not certain yet how much ongoing investment will be required and for how long. As a substantial proportion of the cost pressure is attributable to placements of looked after children and a reliance on agency staff, it will take time for the position to be recovered. A Medium Term Financial Plan for the resourcing of Children's Social Care Services is being drafted for consideration by Cabinet in July 2016.

Child Sexual Exploitation – The Way Forward for Rotherham 2015-18

4.9 In July 2015 the Council produced a Child Sexual Exploitation (CSE) strategy; "*The Way Forward for Rotherham 2015-18*" which set out how the Council, its partners and Rotherham's communities could work together to tackle the problem of CSE and make Rotherham a safer place for vulnerable young people. The strategy has informed and driven the CSE response for the Rotherham partnership via the Rotherham Safeguarding Children's Board.

4.10 Evolve, a multi–agency specialist team set up to lead the Partnership's operational response to CSE, has matured during the year; it has been strengthened with the introduction of permanent managers to drive the team. Evolve has achieved significant successes with two large operations involving the engagement of over 160 young people, the subsequent identification of nearly 30 victims and the identification of a significant number of suspects. There have been a number of recent successful prosecutions resulting from Police investigations supported by Evolve. Where Ofsted has carried out reviews, it has commented favourably on the child-centred approach taken.

4.11 Over the past 12 months the Council has made good progress in strengthening its approach to victims and survivors, including the setting up of:

- Practical, emotional support and advocacy for young people (up to the age of 25) and adults who have experienced child sexual exploitation. This includes support to immediate family members; and
- Evidence based therapeutic interventions for young people and adults who have experienced child sexual exploitation.

Additionally, at the end of January 2016, a new assertive outreach service for children and young people at risk of CSE was launched.

4.12 The governance structures outlined in *The Way Forward* strategy are operating effectively and, as the Commissioners have become increasingly reassured that real change is underway, the Commissioner-led Child Sexual Exploitation Board has been disbanded. This is an important milestone in moving responsibility and control fully back to the Council and its partners.

The Child Sexual Exploitation – The Way Forward for Rotherham 2015-18 can be found at www.rotherham.gov.uk

"A Fresh Start" Corporate Improvement

4.13 The "*Fresh Start*" corporate improvement plan, published in May 2015 included 132 actions designed to lead to improved governance and services across the Council, which in turn were aimed at ensuring the Council could meet its best value duty. The improvement plan provided the focus for stabilising the Council's governance arrangements, assessing services provided and commencing the improvement journey by identifying and progressing the most urgent priority actions. The first phase of the Plan was a "transition" year, through to May 2016, where the focus was on ensuring that the Council had in place the essential building blocks of an effective local authority.

4.14 In summary, the progress reported in May 2016 to the Joint Board of Commissioners and Elected Members established to oversee the delivery of the improvement plan's actions[2] was that 82% (108) of the improvement actions were now substantively delivered and completed to the required standards or timescales. 24 actions within the plan had ether not been delivered to the expected timescales within the first phase, or had "ongoing" timeframes for delivery that pushed the activity into phase two, from May 2016.

4.15 Some of the key achievements and significant areas of progress during the first phase of activity, which were also reported in the Commissioners 12-month report to Government in February 2016[3], include:

- A substantially appointed and in-post permanent strategic management team
- A new Corporate Plan has been produced and is expected to be finalised following the May 2016 elections
- A new Performance Management Framework has been agreed by Council
- A substantial amount of work has been done to support elected members in their respective roles, and will continue into the 2016/17 municipal year
- The completion of a series of service health checks during 2015 with support from the Local Government Association, covering Housing, Highways & Transport, Waste Management, Planning, and Leisure, Culture & Sport.

4.16 These actions have meant that positive progress has been made to date, with actions now in the process of being reassessed as part of a Phase Two plan from May 2016. However, the Council is clear this remains the start of a journey.

[2] See www.rotherham.gov.uk/info/200009/performance/998/see_our_plan_to_improve_rotherham/2 for the public records of Joint Board meetings

[3] For Commissioner reports see www.rotherham.gov.uk/homepage/351/commissioners_progress_reviews

Key priorities for 2016/17 will be included in the Phase Two plan, which will set out the actions required to maintain the impetus achieved during 2015/16, continue to improve the services requiring improvement and ensure the best value duty is upheld, and to ensure the Council focuses on implementing its corporate and service priorities.

The Corporate Improvement Plan "A Fresh Start" can be found at www.rotherham.gov.uk

Restoration of Powers

4.17 In February 2016, the Secretary of State for Communities and Local Government issued revised Directions following a request from Commissioners to return responsibility for a number of functions to Councillors. These included services which in the Commissioners' views were well-led by officers and had Members in a position to exercise executive authority over these functions. They were typically services which had been quality assured by an independent party, and had clear service definitions and plans for improvement in place.

4.18 The functions returning to Council administration and decision making included:

- Education and schools; education for 14–19 years in all settings; school admissions and appeal system; youth services
- Public Health
- Leisure services; events in parks and green spaces
- Customer and cultural services, libraries, arts, customer services and welfare programmes
- Housing
- Planning and transportation policy; highways maintenance
- The Council's area assembly system and neighbourhood working; responsibilities under the Equalities Act
- Building regulation, drainage, car parking, business regulation and enforcement (not including licensing), emergency planning
- Financial services, including revenues and benefits (not including audit); ICT; legal and democratic services; corporate communications; corporate policy; procurement
- Budget control in these areas, and budget planning
- Policy arising from Sheffield City Region.

4.19 Commissioners have also recommended the restoration of the powers of the Licensing Committee. Commissioners will make further recommendations to the Government relating to the restoration of powers as and when appropriate.

5 GENERAL CORPORATE GOVERNANCE ARRANGEMENTS AND THEIR OPERATION DURING THE YEAR

5.1 The Council's Governance framework includes a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. The table below indicates the governance arrangements in place during the year and their operation, with reference to the expectations of the CIPFA/SOLACE *Delivering Good Governance* Guidance applicable to 2015/16:

Expected Arrangements	Comments Regarding Arrangements at RMBC
Identifying and communicating the Council's vision of its purpose and intended outcomes for Residents, service users and businesses.	During Summer 2015 a series of public consultation exercises was run by Commissioners and elected Members, and was supported by partners. Following this, and using the feedback from the events, the Leader of the Council set out a new vision for the borough at a public meeting of Commissioners and Cabinet on 28th October 2015. The vision features at the heart of a new draft Corporate Plan, which was agreed by the Council in December 2015. A process is now underway to refine and finalise the Corporate Plan, so that the delivery of this new vision is embedded in day-to-day activities across the Council. The Corporate Plan is due to be finalised and approved by the new Council by July 2016. **The Corporate Plan can be found at www.rotherham.gov.uk**
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	The consultation events referred to above involved engagement with 1,800 people through a combination of face-to-face workshops, an online survey, and engagement events at the Rotherham Show in September 2015. There were also events with businesses. The Local Government Association conducted two surveys on behalf of the Council during 2015 (see 5.2 below) Ongoing work is taking place on embedding greater levels of community and stakeholder engagement through the Council's Communications Strategy. Work is also taking place to reform the Council's Neighbourhoods and Engagement arrangements. Both of these work-streams will feature as priorities for the second Corporate Improvement Plan in 2016/17, with ongoing oversight from Commissioners and Cabinet.
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny	As part of the Government intervention in February 2015, Commissioners were made responsible for executive and licensing functions across the Council. After a series of service reviews and implementation of improvement actions, Commissioners recommended the return of various powers to the Council, and their recommendations were adopted by

and officer functions.	Government. (see paragraphs 5.17 to 5.19). The Commissioners have issued a decision-making procedure and working protocols which set out how the revised arrangements are to operate. The Council maintains a constitution covering decision making, scrutiny and other non-executive functions, which are adapted to reflect current arrangements. **The Constitution can be found at www.rotherham.gov.uk**
Developing, communicating and embedding codes of conduct, and defining the standards of behaviour for Members and staff.	The Council's Code of Conduct and Officer/Member Protocol have been revised by the Standards Committee and adopted by the Council in December 2015. They have been communicated to all Members, and will be emphasized through training on the Code of Conduct which will form part of the induction programme for Members after the May 2016 elections. **The Code of Practice and Officer/Member Protocol can be found at www.rotherham.gov.uk**
Reviewing and updating Standing Orders, Financial Regulations and supporting procedure notes / manuals, which define how decisions are taken and the processes and controls required to manage risks.	Corporate decision-making report templates have been revised to ensure there is appropriate reference to procedural, financial and procurement administration arrangements. The Council's Risk Management Policy, Guide and supporting arrangements have been refreshed during 2015/16 and risk management and the consideration of risks is improving. Each of these will be developed further as part of the year 2 Corporate Improvement Plan. **Standing Orders, Financial Regulations and the Risk Management Policy and Guide can be found at www.rotherham.gov.uk**
Ensuring that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government.	The Council has an established budget-setting process that led to the successful setting of a 2016/17 budget. Capital planning processes have also been improved during 2015/16 and a capital strategy 2016/17 to 2020/21 was agreed by the Council on 2 March 2016. An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team, Cabinet and Commissioners. The Council's arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2010).* Comments on medium term financial prospects and planning are provided below the table.

Undertaking the core functions of an audit committee, as identified in CIPFA's *Practical Guidance for Local Authorities.*	The Council's Audit Committee operates in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. Additionally, to strengthen the Committee's approach and impact in 2015/16, the Committee produced a new 'Prospectus' explaining its objectives, scope and priorities for the year, and has fulfilled these during the year. **More details relating to the Audit Committee can be found at www.rotherham.gov.uk**
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements. All key decisions require review by Legal, Financial and Procurement Services to ensure all relevant requirements and considerations are taken account of.
Whistle-blowing and arrangements for receiving and investigating complaints from the public.	The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy has been revised in line with National Audit Office Guidance, was presented to the Standards Committee in July 2015, and subsequently communicated to all staff. **The Council's Whistle-blowing Policy can be found at www.rotherham.gov.uk**
Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.	The Council has been working with the Local Government Association to provide peer mentors for all Cabinet Members and Opposition Group Leaders during 2015/16. This will continue into 2016/17. Personal development planning is also now available to all Members. Good progress has been made in developing officer leadership capacity. A new permanent Strategic Leadership Team structure is now fully recruited to and almost all Assistant Directors posts are filled.
Incorporating good governance arrangements in respect of partnerships.	In September 2015 a revised and expanded Rotherham Together Partnership was established to broaden the scope and impact of the council working with its public, private and community sector partners across the borough. The new Partnership is chaired by the Leader of the Council, with the Chair role now established on a rolling basis so that partner organisations have an opportunity to provide the Chair role in future years. A 12 month action plan of partnership working was published by the Partnership on 17th March 2016, setting out its collective

	priorities for Rotherham on the year ahead. Alongside the delivery of this action plan, the Partnership will focus its attention in 2016 on further engagement with the public to inform a new Community Strategy for Rotherham from early 2017. For further details of the new Partnership arrangements and its priorities see **www.rotherham.gov.uk/info/200009/performance/748/rotherham_together_partnership**.

Local Government Association Resident Surveys

5.2 The Local Government Association conducted two surveys of local residents in June and December 2015, in order to establish residents' views about satisfaction with the council, value for money, responsiveness, and trust and confidence in the council.

5.3 Some headline findings were:

- The Council scored lower than elsewhere on how the Council runs things, the Value For Money it provides and trust. Residents also felt they were not as well informed by the Council as elsewhere. There was no significant change in views in these areas between the two surveys.
- Satisfaction in relation to the Council's responsiveness (i.e. the extent to which the council acts on the concerns of local residents) improved significantly between the two surveys.
- Conversely, Satisfaction with Rotherham as a place to live dropped significantly between surveys.

5.4 The survey findings are being used to inform policy and service reviews. **The survey results can be found at www.rotherham.gov.uk**

The Council's Budget 2016/17 and Medium Term Financial Strategy

5.5 In view of the fundamental weaknesses in Children's Social Care Services and the need to invest in the services to secure the improvements required, the Council approved additional funding for Children's Services on a recurrent basis – £12.1m in 2016/17, £10.9m in 2017/18 and £9.9m in 2018/19.

5.6 A Member-led Budget Working Group was established in 2015 to lead on initially considering budget options and savings proposals presented by officers. Supported proposals were presented to Commissioners, Cabinet and ultimately the Council, which approved a balanced budget for 2016/17 on 2nd March 2016. Headlines from the 2016/17 budget include:

- The Council increased Council Tax by 3.95%, made up from a 1.95% increase in respect of contributing towards the Council's overall budget position and a further 2% increase specifically in respect of a precept for Adult Social Care services (following a Government announcement encouraging Authorities with Adult Social Care responsibilities to generate an extra 2% income by applying this new precept).

- The plans included a budgeted use of £5m of Council reserves, consisting of £3m from the Council's Transformation Reserve to contribute to the funding of Children's placements and £2m from the General Grant Reserve for 2016/17, in part utilising the grant one-off secured by Commissioners.

5.7 The resulting budget:

- Provides additional funding to both protect vital services for those most in need, but also recognises the overwhelming need to provide further support for victims and survivors of Child Sexual Exploitation and targeted early preventative work with vulnerable young people.
- Progresses the ongoing transformation of the Council's Adult Social Care Services.
- Focuses on corporate and service transformation, ensuring services continue to be equipped to deliver a high standard of service for the citizens, businesses and stakeholders of the Borough.
- Continues to reduce management, administration and support costs as far as is sensible to do so.

5.8 The Council updated its Medium Term Financial Strategy (MTFS) to reflect the Government's 2015 Autumn Statement and the subsequent Local Government Financial Settlement announcements in December and February 2016. An updated MTFS was approved by the Council on 2nd March 2016. This is a key document that sets out the context for the Council, confirms its vision and priorities and indicates how resources will be directed towards achieving the vision and priorities. After taking the investment in Children's Social Care Services into account, the Council estimated it was faced with a 3 year budget gap of over £40m in its 2016 to 2019 Medium Term Financial Strategy.

5.9 The MTFS is being further updated for the three years 2017/18 to 2019/20.

The Council's 2016/17 Budget and Medium Term Financial Strategy 2016-19 can be found at www.rotherham.gov.uk

Internal Audit

5.10 It is a requirement of the UK Public Sector Internal Audit Standards that an annual report is produced setting out the work performed by Internal Audit and the opinion of the *Chief Audit Executive* (at Rotherham this is the Assistant Director Audit, ICT and Procurement) on the Council's internal control environment.

5.11 The Annual Internal Audit report was presented to the Audit Committee on 27th April 2016. The report confirmed positive progress had been made during the year, but also highlighted significant weaknesses identified from the work of Internal Audit. In addition to matters referred to in paragraphs 6.2, 6.14 and 6.17, and in Section 7, weaknesses included:

- Exposure to significant financial risk relating to adaptations work
- Weak contracts management
- Inadequate programming of some health and safety works.

5.12 The weaknesses led to an opinion that the Council's control environment was inadequate during 2015/16. Further progress is needed to ensure better internal controls are embedded, and are reflected in audit conclusions reached following Internal Audit's work.

External Audit

5.13 The Council's external auditor (KPMG) is required each year to carry out a statutory audit of the Council's financial statements and give an assessment of the Council's value for money arrangements.

<u>Audit Opinion on the Council's Financial Statements</u>

5.14 KPMG issued an unqualified opinion on the Council's financial statements for the 2014/15 financial year on 24th September 2015. In KPMG's opinion, the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year ended 31st March 2015.

5.15 KPMG has identified no matters in its work done so far during 2015/16 to suggest it will not give an unqualified opinion on the Council's 2015/16 accounts, although KPMG's work is not yet complete.

<u>External Audit Value for Money Conclusion</u>

5.16 KPMG acknowledged that the Council had made a "Fresh Start" to make improvements to its corporate governance arrangements and Children and Young Peoples services in response to the weaknesses identified in the Jay, Ofsted and Casey Reports. However, because there was little opportunity to progress the Children's Improvement Plan and Corporate Improvement Plan before the end of the 2014/15 financial year, KPMG issued an adverse Value For Money conclusion in respect of 2014/15 on 24th September 2015.

5.17 KPMG expects to give a Value for Money Conclusion for 2015/16 by September 2016.

Anti-Fraud and Corruption Arrangements

5.18 In October 2014, CIPFA published an updated Code of Practice on Managing the Risk of Fraud and Corruption. This replaced the former Code published in 2008. The 2014 Code requires councils to give an opinion within their Annual Governance Statements on the Council's compliance with the Code.

5.19 A review of the Council's arrangements was completed by Commissioner Ney in August 2015 and this identified some good existing practice and some issues to address. Progress is being made on these, including the Council:

- Revising its Anti-Fraud and Corruption Policy and Strategy in September 2015, to reflect the requirements of the CIPFA Code
- Developing a fraud risk assessment, assisted by a Government sponsored project designed to strengthen the Council's anti-fraud arrangements.
- Undertaking training of managers
- Ensuring coverage within the Internal Audit programme designed to test arrangements for managing fraud risk
- Commencing a review of tenancy fraud using data analytics.

5.20 The Council developed its arrangements for managing the risk of fraud during 2015/16. Overall, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

6 UPDATE ON OTHER MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT 2014/15

Taxi Licensing

6.1 The Taxi licensing function has a key role in preventing and disrupting CSE. The Casey Report found that the Council's taxi-licensing arrangements were wholly inadequate and placed vulnerable Children at risk. Under the guidance of Commissioner Ney, the Council carried out a comprehensive review of its taxi-licensing policy and its administration arrangements. The Council introduced a new, stronger, policy involving a 'fit and proper person' test of drivers, revised requirements for training, including compulsory safeguarding training; and more stringent requirements regarding safety, age of vehicles and use of taxi cameras. Over 40 drivers had their licences revoked as a result of the application of the new standards. All currently practicing drivers have attended training sessions on safeguarding Children and vulnerable adults.

6.2 Internal Audit follow up work during 2015/16 identified the need for improvements in relation to the issuing of licences and the processes for investigating complaints. The recommendations made by Internal Audit have been acted upon by management.

6.3 Work continues to embed higher standards and performance of the licensing and enforcement service and a new structure is proposed to facilitate this. Taking all of the positive progress into achieved to date, Commissioners now agree that the Council is in a position to have its Licensing functions returned to its control.

Adult Social Care

6.4 The Council's Adult Social Care Services undertook a self-assessment using a Local Government Association assessment tool. The aim of this review was to provide a 'health check' of safeguarding functions in Rotherham. In particular, it focused on how the Safeguarding Adults' Board was functioning and how the Council's adult social care services were meeting their safeguarding responsibilities.

6.5 The findings and conclusions were verified by an external peer reviewer. The exercise concluded that whilst there are areas of considerable knowledge and expertise in adult safeguarding and relations between partners on the Safeguarding Adults Board are positive, the Care Act statutory guidance had not been fully implemented and a number of areas required action, development and change.

6.6 These recommendations formed the basis of an action plan to implement improvement opportunities, developed by the Adult Safeguarding Board, which was implemented during 2015/16. A further review will be undertaken in mid-2016.

6.7 The Council has also produced a new vision and strategy describing the outcomes that it is seeking to achieve for all adults with disabilities and older people and their carers in the borough. The strategy which will enable these outcomes to be delivered contains seven key elements:

- We must ensure that information, advice and guidance is readily available (eg by increasing self-assessment) and there are a wide range of community assets which are accessible
- We must focus on maintaining independence through prevention and early intervention (eg assistive technology) and re-ablement and rehabilitation
- We must improve our approach to personalised services – always putting users and carers at the centre of everything we do
- We must develop integrated services with partners and where feasible single points of access
- We must ensure we "make safeguarding personal"

- We must commission services effectively working in partnership and co-producing with users and carers
- We must use our resources effectively.

6.8 The Council's ambition is that adults with disabilities and older people and their carers in Rotherham are supported to be independent and resilient so that they can live good quality lives and enjoy good health and wellbeing.

The Strategy: "Adult Social Care in Rotherham: Outcomes and the Strategy for delivering them" can be found at www.rotherham.gov.uk

Local Elections

6.9 Local elections were successfully held on 5 May 2016 for all 63 Council seats. There were 24 new Councillors. The overall balance of the Council remained largely unchanged with the following outcome:

- Labour 48 seats
- UKIP 14 seats
- Independent 1 seat.

6.10 These 'all-out' elections now mean that Councillors elected in 2016 will be in place until 2020, and this will facilitate stability within the Council and influence further considerations with regard to the restoration of powers.

6.11 During 2015/16 Councillors have benefitted from a mentoring programme, a new supplementary Code of Conduct additional to the National Code, access to Local Government Association supported training, a new Code of working between Councillors and senior staff and active feedback from Commissioners.

6.12 Most Councillors now report a more professional atmosphere. Backbench Councillors report a greater sense of knowing what is going on. There have been no misconduct issues to investigate, save for one anonymous complaint which was judged to be unjustified. Competence and confidence for office holders will continue to grow as will cross-party dialogue and agreement.

Gas Safety / Landlord Responsibilities

6.13 In 2014/15, an internal review of Gas Safety found that the Council's Quality Assurance processes did not sufficiently ensure that contractors, used by the Council to carry out building and gas servicing works, had gas safety management systems that were being effectively and consistently applied. Immediate action was taken to ensure the relevant checks and controls were being applied.

6.14 Subsequent checks confirmed the Council was meeting the necessary legislative requirement relating to gas safety, as well as relating to electrical inspections and asbestos. Other follow-up testing during the year highlighted the need to strengthen processes relating to the rectification of fire safety deficiencies and the prevention of legionella. Actions in relation to these have been implemented.

Commissioning and managing delivery of school improvement activity

6.15 In June 2014, Internal Audit reported significant weaknesses in relation to the specification of work to be provided, monitoring of activities and performance, and reporting arrangements relating to school improvement activity. The Council and schools could not clearly demonstrate they were achieving value for money from the arrangements in place.

6.16 Funding for school improvement activity is now devolved to Schools who are now responsible for specifying and procuring work, and ensuring it is satisfactorily delivered.

Home to school transport for Vulnerable Children

6.17 Internal Audit looked in early 2015 at the Council's arrangements for arranging the transport of Looked after Children. While arrangements were found to be acceptable when provision was arranged within existing 'home to school' contracts, the audit found a number of instances where transport for children was arranged outside of the contracts and, therefore, did not afford the same level of checks and controls over the taxi firms and drivers used. Internal Audit completed a follow up of the original audit in late 2015 and found that complaints had not been promptly investigated and guidance needed to be expanded to cover the full range of services provided to Children. These have now been addressed.

7 OTHER SIGNIFICANT ISSUES ARISING DURING 2015/16

7.1 Ongoing issues relating to Children's Social Care, Child Sexual Exploitation and Corporate Governance are reported in Section 5 above. Progress on improvement actions in these areas will continue to be reviewed and reported during 2016/17 and summarised in the Annual Governance Statement. Other issues arising during 2015/16 from other review processes, including Internal Audit work, are summarised below:

Sheffield City Region

7.2 The Sheffield City Region (SCR) agenda is of increasingly growing importance to the Council and its partnership working across South Yorkshire and beyond. More powers and funding are being devolved by the Government to decision-making structures at the local level, via Combined Authorities (groups of local authorities represented by their Council Leaders) and Local Enterprise Partnerships (business-led, but also involving Council Leaders).

7.3 The SCR Combined Authority formally comprises the four South Yorkshire district councils as well Chesterfield and Bassetlaw Councils, with Bolsover, Derbyshire Dales and North East Derbyshire Councils being wider “non-constituent” members keen to work through the City Region on the basis of a functioning economic geography. The SCR Combined Authority agreed in March 2016 a new, wide-ranging economic devolution deal, which included a commitment from Government to provide an additional £30 million per year for 30 years to the SCR, from 2016/17, as well as wider funding and powers. The Combined Authority is expected to agree the developed devolution scheme in June 2016.

7.4 SCR governance arrangements are subject to a review at the current time, in reflection of its changing and growing role and, for example, a proposed new Strategic Economic Plan for the City Region.

Service Planning and Performance Management

7.5 During 2015/16 the Council gave particular priority to the work required to be progressed in line with the Corporate Improvement Plan. This included development of a vision and corporate plan as outlined in this Statement. The Council recognises it now needs to prioritise its planning of service priorities and develop its performance management arrangements, to ensure both corporate and service priorities are achieved. While arrangements were in place in key areas for 2015/16, for example Children’s Services, there was not an overall corporate framework or consistent arrangements in place across all Council services. The development of service planning and performance management arrangements will be a priority for 2016/17.

Risk Management

7.6 The Corporate Improvement Plan included a priority to re-invigorate and embed risk management across the Council. The Council could not demonstrate that the application of risk management arrangements was satisfactory. During the year, various actions were taken in line with the Corporate Improvement Plan, including:

- Refreshing the Council’s Risk Management Policy and Guide
- Giving the Assistant Chief Executive the role of overall officer lead, to ensure risk management was given appropriate status
- Creating a corporate risk manager post to take forward the Council’s priorities relating to risk management
- Provision of training to senior and most middle managers
- Strengthening the role of the Audit Committee in relation to risk management, including presentation of risk registers to the Committee by Cabinet Members and strategic directors.

7.7 Detailed corporate and service risk registers are now in place and subject to regular review. A priority for 2016/17 is to embed the refreshed arrangements and demonstrate the effectiveness of the arrangements in place.

Major Project Developments

7.8 The Council has a series of substantial and major projects in progress, to improve systems and the services they support. Two examples, implementation of a new social care system and a new integrated housing management system, were audited during 2015/16. The audits revealed various process weaknesses that needed to be addressed through stronger project and programme management. The immediate priorities were addressed and there has been some development of the Council's approach and arrangements for major project management. However, these need to be strengthened further during 2016/17.

Procurement and Contracts Management

7.9 The Council gathered information to update its contracts register during 2015/16. This revealed significant weaknesses in the forward planning and establishing of contracts to ensure the Council complies effectively with relevant procurement rules and achieves best value from its procurement of goods and services. Steps have now been instigated to ensure there is an effective forward plan of contracts, better corporate scrutiny and increased emphasis on maximising value for money. These and actions from a Local Government Association sponsored review of the Council's procurement arrangements will be progressed as a priority in 2016/17.

Information Governance / Freedom of Information Requests

7.10 Significant weaknesses have been highlighted in relation to the Council's management of information, including information security, from incidents arising / reported during 2015/16. These include failure to ensure steps were taken to secure information left behind in vacated buildings, failure to respond appropriately to enquiries made about former incidents and a number of breaches of the Data Protection Act.

7.11 In addition, the Council's record in responding in a timely manner to Freedom of Information requests made by the Public was also unsatisfactory; only 62% of requests were processed in line with expected requirements. The Council's response to Subject Access Requests was also unsatisfactory, with 35% responded to within expectations.

7.12 A full action plan is being put into place to address the weaknesses and ensure the Council complies fully and effectively with data protection requirements and its obligations to data subjects.

8 UPDATE SINCE MAY 2016

8.1 This section will contain any significant issues arising between June and September 2016.

9 LEADER AND CHIEF EXECUTIVE STATEMENT 2015/16

9.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.

9.2 During 2014/15 the Council was subject to an inspection of its arrangements for Child Sexual Exploitation (the Jay Review), an Ofsted inspection of its Children's Services and a Corporate Governance Inspection (The Casey Review). These found significant and serious failings in the Council's arrangements for protecting vulnerable children and its overall governance arrangements, and led to Government Intervention in the Council in the form of 5 Government appointed commissioners.

9.3 Child Sexual Exploitation, Children's and Corporate Improvement plans have been in place during 2015/16. Positive progress has been made on delivering the commitments made in these, with tangible and beneficial outcomes achieved and summarised in this Statement. Commissioners and Government have recognised the progress, in part through the restoration of some powers to the Council in February 2016. A new Strategic Leadership Team, led by the new Chief Executive, has now been appointed and will maintain this progress.

9.4 A Vision for the Council was established following a consultation programme led by the Lead Commissioner and the Council Leader. The Vision has now been encapsulated in the draft Corporate Plan, along with a new Performance Management framework. There is a revised Medium Term Financial Strategy setting out the prioritising and funding of the Council's aspirations. These and other guiding documents developed during the year provide the building blocks for the Council to make further improvements.

9.5 While there are clear and demonstrable progress and improving foundations to build upon and which, along with the early restoration of some powers, give the Council cause for optimism for 2016/17, our overall conclusion for 2015/16 is a cautious one. The Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year. The action plans in place, including a new Year 2 Corporate Improvement Plan, will continue to bring the Council rapidly up to a point where it operates effectively and fully in accordance with good governance. Councillors, commissioners and staff continue to work together to sustain the momentum achieved during the past 12 months in order to realise the further improvement still necessary.

Signed ……………………………………	Signed …………………………………….
Councillor Chris Read,	**Sharon Kemp,**
Leader, Rotherham MBC	**Chief Executive, Rotherham MBC**
Date: XX September 2016	**Date: XX September 2016**

APPENDIX 1

The following commissioners were appointed to Rotherham Council by the Secretary of State for Communities & Local Government and the Secretary of State for Education:

COMMISSIONERS APPOINTED TO ROTHERHAM COUNCIL 2015/16

Lead Commissioner: Commissioner Sir Derek Myers, former joint Chief Executive of the London Borough of Kensington and Chelsea and Hammersmith and Fulham.

Commissioner and Managing Director: Stella Manzie CBE, a former Chief Executive of Barking and Dagenham, Coventry, Redditch and West Berkshire councils. As Managing Director, Commissioner Manzie has taken on the role of the day to day running of all services until the Commissioners appoint a new permanent chief executive. **Commissioner Manzie left her position on 31 January 2016, following the recruitment of a permanent substantive Chief Executive.**

Children’s Social Care Commissioner Malcolm Newsam: Commissioner Newsam has worked at executive director level in Peterborough City Council, Kent County Council, Essex County Council and Bedfordshire County Council. He has acted as Doncaster Borough Council’s Programme Director setting up the Doncaster Children’s Services Trust and was appointed Children’s Social Care Commissioner in Rotherham in October 2014. **Commissioner Newsam left the position on 4 May 2016.**

Commissioner Mary Ney: Commissioner Ney retired from being Chief Executive of the Royal Borough of Greenwich in 2014. Commissioner Ney was assistant inspector to Louise Casey’s inspection of Rotherham, where she led the partnership working strand of the inspection.

Commissioner Julie Kenny CBE: Commissioner Kenny is a commissioner at the UK Commission for Employment and Skills and a Board Member of Sheffield City Region Local Enterprise Partnership.

COMMISSIONER APPOINTED TO ROTHERHAM COUNCIL 2016/17

Councillor Patricia Bradwell, Deputy Leader of Lincolnshire County Council replaced Malcolm Newsam as Commissioner for Children’s Social Care in May 2016.

Commissioner Bradwell has overseen continued improvements in Children's Services for Lincolnshire County Council over the last 11 years. She took over responsibility for the Children's Services portfolio in April 2005. Since then, her work with colleagues and staff has led to Lincolnshire achieving and maintaining a high rating from Ofsted in their inspection of Children's Services, with Adoption Services being considered 'outstanding'.

Agenda Item 8

Rotherham Metropolitan Borough Council

Public Meeting

Summary Sheet

Council Report
Audit Committee – 20 July 2016

Title
Annual Treasury Management Report and Actual Prudential Indicators 2015/16

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report
Judith Badger – Strategic Director of Finance & Customer Services

Report Author(s)
Derek Gaffney (Chief Accountant)
Finance & Customer Services
01709 822005 derek.gaffney@rotherham.gov.uk

Ward(s) Affected
All

Summary
The Council received an annual treasury strategy in advance of the 2015/16 financial year and also received a mid-year report representing a mid-year review of treasury activity during 2015/16.

The annual treasury management report is the final treasury report for 2015/16. Its purpose is to review the treasury activity for 2015/16 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2015/16 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.

Recommendation

Audit Committee is asked to note the Annual Treasury Management Report for 2015/16.

List of Appendices Included
Appendix A – Summary Prudential Indicators for Rotherham MBC
Appendix B – Summary Prudential Indicators for the Former South Yorkshire County Council

Background Papers
Cabinet and Commissioner's Decision Making meeting – 11 July 2016
CIPFA – Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated)
CIPFA – Prudential Code (as updated)

Consideration by any other Council Committee, Scrutiny or Advisory Panel
The summary treasury activity and actual prudential indicators for 2015/16 were also reported as part of the Council's Outturn report to the Cabinet and Commissioner's Decision Making meeting held on 11 July 2016.

Council Approval Required
No

Exempt from the Press and Public
No

Annual Treasury Management Report and Actual Prudential Indicators 2015/16

1. Recommendation

1.1 Audit Committee is asked to note the Annual Treasury Management Report for 2015/16.

2. Background

2.1 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 2015/16);
- 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.

2.2 The Council 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.

3. Key Issues

3.1 OVERVIEW

3.1.1 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, mean that actual indicators for the year may vary from the projections made prior to the start of the financial year.

However, by regularly monitoring and reporting revisions to 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 2015/16, with comparators, are shown in the attached Appendix A. Background to these is provided in the following paragraphs.

3.1.2 **Impact of the Council's Capital Expenditure and Financing 2015/16** - 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.

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.

3.1.3 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 2015/16 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. 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.

The Non-HRA element of the CFR (excluding PFI schemes and finance lease assets) is reduced each year by a statutory revenue charge (called the Minimum Revenue Provision - MRP). The 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

At the end of the financial year the closing CFR is broadly in line with that approved as the revised indicator for the year.

3.1.4 **Treasury Position at 31 March 2016** - whilst the Council's gauge of its underlying need to borrow is the CFR, the Strategic Director of Finance and Customer 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).

For 2015/16 it had been expected that borrowing would have been in line with the estimated borrowing need for the year whilst partly reducing the Council's 31 March 2015 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.

Thus at 31 March 2016, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

Council's Treasury Position 2015/2016

Net Borrowing	**As At 31 March 2016 £m**	**As At 31 March 2015 £m**
External Borrowing		
Public Works Loans Board (PWLB)	233.598	255.884
Market (e.g. Banks, Other Local Authorities)	243.000	213.000
	476.598	**468.884**
External Investments		
Debt Management Office	2.680	17.820
Banks	1.500	0.854
	4.180	**18.674**
Net Borrowing	**472.418**	**450.210**

Against the Council's Capital Financing Requirement (£649.505m excluding PFI and similar arrangements), the Council's outstanding net debt (£472.418m) is lower than this Requirement by approximately £177m due to the Council's prudent and sensible approach to utilise temporary cash flow funds rather than take out additional borrowings.

3.2 PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES

Some of the prudential indicators provide either an overview or specific limits on Treasury activity:

3.2.1 **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 used for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2015/16 plus the expected changes to the CFR over 2016/17 and 2017/18. The Council complied with this prudential indicator throughout 2015/16.

3.2.2 **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 Council 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.

3.2.3 **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 Council maintained its borrowing position around its Operational Boundary.

3.2.4 **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.

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. In addition the General Fund indicator also reflects, when compared to the original estimate, the reduced MRP charge for 2015/16 which arose as a result of the MRP Accounting and Technical Adjustment made at the end of the 2014/15 financial year.

3.2.5 **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

The incremental impact of capital investment decisions on the Band D Council Tax is broadly in line with the revised indicator. This reflects the fact that the actual borrowing need in 2015/16 is consistent with the revised forecast. None of the HRA capital investment was financed by borrowing in 2015/16 and therefore there was no incremental impact of capital investment on HRA rent levels.

3.3 TREASURY MANAGEMENT INDICATORS

3.3.1 Limits on Activity

Upper limits on fixed and variable interest rates as at 31 March 2016 – 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 Council remained within the limits set throughout 2015/16.

Maturity structure of fixed rate borrowing during 2015/16 – 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 Council remained within the limits set throughout 2015/16.

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.

3.3.2 **Borrowing**

New Borrowing - Three new long term loans amounting to £30m in total were drawn by Rotherham MBC during the year, all with Sheffield Combined Authority. £10m was borrowed over 3 years at an interest rate of 1.25%, £15m over 6 years at 2.20% and £5m over 9 years at 2.54%, with an overall average rate of 1.94%. The total borrowed was in line with the budget assumption for new & replacement borrowing in the financial year.

During the year temporary borrowing (maximum 2 months) was taken up on three occasions to manage the Council's cash flow position. All these short-term loans were fully repaid.

Rescheduling – No rescheduling took place in 2015/16 due to the continuing unfavourable market conditions.

Debt Repayment – One loan of £20m 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.

Debt Repayments 2015/16

Lender	**Principal £m**	**Type**	**Interest Rate**	**Average rate of interest**
PWLB EIP	2.000	Fixed rate	3.46%	
PWLB	20.000	Fixed rate	9.625%	
PWLB Annuity	0.286	Annual repayments	Various	
Total:	**£22.286**			**8.99%**

The overall debt activity resulted in a decrease in the average interest rate on the Council's debt portfolio of 0.37%, from 4.57% to 4.20%. This principally arose due to the maturity of the high cost fixed rate loan shown in the table above.

3.3.3 **Investments**

The Council's investment policy is governed by DCLG Guidance, which was implemented in the annual investment strategy approved by Council on 4 March 2015. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £21.3m and received an average return of 0.29%. When compared to the local measure of performance the average return was slightly below the average 7 day LIBID rate for 2015/16 of 0.36%.

3.4 **FORMER SOUTH YORKSHIRE COUNTY COUNCIL**

No new borrowing or rescheduling took place during 2015/16, whilst one loan of £9.412m matured during the year. Thus at 31 March 2016, external debt, all with the PWLB, totalled £86.709m. The average interest rate on the debt is 5.53%

The Former South Yorkshire County Council had no investments at 31 March 2016, the same as at 31 March 2015.

The actual prudential indicators for the Former South Yorkshire County Council are shown in the attached Appendix B.

4. Options considered and recommended proposal

4.1 No options considered as the report outlines actual Treasury Management activity during 2015/16

5. Consultation

5.1 None required

6. Timetable and Accountability for Implementing this Decision

6.1 None

7. Financial and Procurement Implications

7.1 Treasury Management forms an integral part of the Council's overall financial arrangements.

8. Legal Implications

8.1 None, other than ensuring compliance with the Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated) and the Prudential Code (as updated).

9. Human Resources Implications

9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11 Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 There are no implications arising from this report for Partners and oTher Directorates.

13. Risks and Mitigation

13.1 Regular monitoring of treasury management activity throughout the financial year ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

14. Accountable Officer

Judith Badger – Strategic Director of Finance & Customer Services

Approvals Obtained from:-

Strategic Director of Finance and Corporate Services:- Judith Badger

This report is published on the Council's website or can be found at:-

http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=

APPENDIX A

Summary Prudential Indicators: Rotherham MBC

		Actual	Revised Estimate	Original Estimate
		£m	£m	£m
1	**Capital Expenditure (excluding PFI & Finance lease liabilities)**	**68.210**	**76.026**	**70.024**
2	**Capital Financing Requirement (CFR) including PFI & similar liabilities:**			
	General Fund	483.122	483.637	463.098
	HRA	304.125	304.125	306.445
	Total	**787.247**	**787.762**	**769.543**
3	**Net Borrowing compared to CFR excluding PFI & similar liabilities:**			
	Total Borrowing	476.598	481.017	481.656
	Total Investments	4.180	20.000	25.000
	Net Borrowing	472.418	461.017	456.656
	CFR	649.505	650.174	631.941
	Under-borrowing	**177.087**	**189.157**	**175.285**
4	**Net Borrowing compared to CFR including PFI & similar liabilities:**			
	Borrowing (from above)	476.598	481.017	481.656
	Borrowing (PFI etc)	137.742	137.588	137.602
	Total Borrowing	614.340	618.605	619.258
	Total Investments	4.180	20.000	25.000
	Net Borrowing	610.160	598.605	594.258
	CFR	787.247	787.762	769.543
	Under-borrowing	**177.087**	**189.157**	**175.285**
5	**Authorised Limit for external debt**			
	Assumed Borrowing	683.391	683.391	648.657
	PFI & similar liabilities	139.267	139.267	139.267
	Authorised Limit	822.648	822.648	787.924
	Total Borrowing	614.340	618.605	619.258
	Borrowing Below Limit	**208.308**	**204.043**	**168.666**
6	**Operational boundary for external debt**			
	Assumed Borrowing	481.017	481.017	481.656
	PFI & similar liabilities	139.267	139.267	139.267
	Operational Boundary	620.284	620.284	620.923
	Total Borrowing	614.340	618.605	619.258
	Borrowing Below Boundary	**5.944**	**1.679**	**1.665**
7	**Maximum Funds invested > 364 days**	**0.000**	**10.000**	**10.000**

		Actual	Revised Estimate	Original Estimate
		%	%	%
8	**Ratio of financing costs to net revenue stream – Non HRA**	6.41	6.30	8.24
9	**Ratio of financing costs to net revenue stream – HRA**	15.99	15.94	16.07
		£	**£**	**£**
10	**Incremental impact of capital expenditure plans on the Band D Council Tax**	11.65	12.29	7.55
11	**Incremental impact of capital expenditure plans on housing rents levels**	0.00	0.00	0.04

12	**Maturity Structure of Fixed Rate Borrowing**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
	Under 12 Months	1.94	35	35
	12 months to 2 years	16.59	35	35
	2 years to 5 years	21.82	40	40
	5 years to 10 years	24.25	40	40
	10 years to 20 years	3.44	45	45
	20 years to 30 years	8.99	50	50
	30 years to 40 years	15.00	50	50
	40 years to 50 years	7.97	55	55
	50 years and above	0.00	60	60

13	**Upper Limit on fixed interest rates based on fixed net debt**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
		79.61	100	100

14	**Upper Limit on variable rates based on fixed net debt**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
		25.33	30	30

APPENDIX B

Summary Prudential Indicators: Former South Yorkshire County Council

		Actual	Revised Estimate	Original Estimate
		£m	£m	£m
1	**Authorised Limit for external debt** Authorised Limit Total Borrowing **Borrowing Below Limit**	 96.121 96.121 **0.000**	 96.121 96.121 **0.000**	 96.121 96.121 **0.000**
2	**Operational boundary for external debt** Operational Boundary Total Borrowing **Borrowing Below Boundary**	 96.121 96.121 **0.000**	 96.121 96.121 **0.000**	 96.121 96.121 **0.000**

3	**Maturity Structure of Fixed Rate Borrowing**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
	Under 12 Months	11.53	50	50
	12 months to 2 years	45.80	70	70
	2 years to 5 years	42.67	100	100

4	**Upper Limit on fixed interest rates based on fixed net debt**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
		100.00	100	100

5	**Upper Limit on variable rates based on fixed net debt**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
		0.00	30	30

Agenda Item 9

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report
Audit Committee – 20 July 2016

Title
External Audit 2015/16 – Progress

Is this a Key Decision and has it been included on the Forward Plan?
No.

Strategic Director Approving Submission of the Report
Judith Badger – Strategic Director of Finance and Customer Services

Report Author(s)
Derek Gaffney (Chief Accountant)
Finance and Customer Services Directorate
01709 822005 derek.gaffney@rotherham.gov.uk

Ward(s) Affected
All

Executive Summary

The Council's external auditor, KPMG, has a duty to:

- Give an opinion on the Council's financial statements, and
- Conclude on whether the Council has arrangements in place to secure value for money in the use of its resources

KPMG has issued a letter attached as an Appendix to this report which sets out progress on the 2015/16 external audit.

Recommendation

That Audit Committee notes KPMG's letter and the progress made on the 2015/16 external audit.

List of Appendices Included
Appendix 1 – KPMG 2015/16 External Audit Progress letter

Background Papers
Code of Audit Practice 2015
KPMG External Audit Plan 2015/16

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required
No

Exempt from the Press and Public
No

External Audit 2015/16 - Progress

1. Recommendation

That Audit Committee notes KPMG's letter and the progress made on the 2015/16 external audit.

2. Background

2.1 The Code of Audit Practice 2015 (the Code) published pursuant to Schedule 6 paragraph 2 of the Local Audit and Accountability Act 2014 sets out the way in which the external auditor should discharge their statutory duties under the Code. The Code (now maintained by the National Audit Office following the demise of the Audit Commission in March 2015) applies with effect from 2015/16.

2.2 Schedule 1 to the Code sets out the external auditor's statutory responsibilities as being to:

(i) Give an opinion on whether the Statements of Accounts give a true and fair view of the Council's financial position and financial performance for the year being reported on and whether they have been prepared in accordance with proper practice, and

(ii) Conclude on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (known as the Value for Money conclusion).

2.3 The second of these duties is reflective of the fact that the audit of a public sector organisation is wider in scope than that of the private sector requiring public stewardship and the use of resources to be audited in addition to giving an opinion on the financial statements.

2.4 The Code requires that external auditors' work should be risk-based and proportionate to meeting their statutory responsibilities and tailored to the local circumstances of the Council and the risks this gives rise to. The External Audit Plan for 2015/16 previously reported to Audit Committee in April 2016 sets out the approach to the audit of the financial statements and Value for Money conclusion and the risks that have been identified.

3. Key Issues

3.1 2015/16 External Audit - Progress

3.1.1 The letter appended to this report sets out KPMG's progress on the 2015/16 External Audit. As outlined KPMG do not feel it necessary to present an Interim Audit Report to the Committee as through the work to date KPMG have not identified any significant issues which require reporting. The small number of matters discussed with officers will be included in the ISA260 report produced at the conclusion of the audit which is due for presentation to Committee in September.

3.1.2 To remind/inform Members of the issues referred to in the progress letter the following is provided as a summary of the areas of audit attention covered by the External Audit Plan.

3.2 Audit of the Financial Statements

3.2.1 Materiality is key to financial reporting as it determines the amount by which items or disclosures within the Statement of Accounts would need to be misstated or omitted before it would reasonably influence a reader of the accounts. It also therefore acts as a guide to what audit procedures need to be performed to determine whether the Statement of Accounts are free from material misstatement.

3.2.2 The External Audit Plan set out the significant risks and areas of audit focus that KPMG have identified from their planning process which will require closer audit attention and the work they intend to carry out in relation to these items. Specifically these are:

- New Housing Management System – Significant Audit Risk
- Child Sexual Exploitation claims – Area of Audit Focus, and
- Accounting for the Better Care Fund – Area of Audit Focus

3.2.3 KPMG will report the outcomes from their audit of the financial statements in a report to Audit Committee in September (ISA 260 report).

3.3 Value for Money Conclusion

3.3.1 The External Audit Plan confirmed that the adoption of the new Code in 2015 has not fundamentally affected the approach external auditors should take in reaching their Value For Money conclusion but there is a subtle change to the criteria that are being used.

3.3.2 The Plan set out the risks KPMG have identified requiring special audit attention, namely:

- Governance arrangements, in particular, the improvements made since the Council made its “Fresh Start”
- Financing Child Sexual Exploitation claims and
- Financial pressures the Council finds itself under from having to make substantial savings

3.3.3 KPMG will report their Value For Money Conclusion findings in the ISA 260 report that will go to Audit Committee in September.

4. Options considered and recommended proposal

4.1 Having an audit under the Code is a statutory requirement. As such there is no discretion on whether or not to comply.

5. Consultation

5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that there is a clear understanding of the risks identified in the External Audit Plan and supporting information KPMG will require to evidence that they have been addressed satisfactorily.

6. Timetable and Accountability for Implementing this Decision

6.1 The External Audit Plan set out the timetable for reporting formally key stages of the audit. The ISA 260 report has been scheduled for September to enable the Council to meet the statutory deadline for publishing its audited financial statements of 30 September.

7. Financial and Procurement Implications

7.1 The planned audit fee is £140,828. This is in line with the published work programme and scale of fees for 2015/16 set by the Audit Commission prior to its demise. This represents a 25% reduction on the 2014/15 audit fee.

8. Legal Implications

8.1 None, other than to note that the External Auditor's work is planned to meet external auditors' statutory responsibilities under the Local Audit and Accountability Act 2014 and Code of Audit Practice 2015

9. Human Resources Implications

9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 Partners, stakeholders, the media and general public may take an interest in the Value For Money Conclusion as an independent assessment of the progress that the Council has made over the course of 2015/16.

13. Risks and Mitigation

13.1 Steps have been taken to ensure that appropriate and sufficient evidence is provided for the significant risks and areas of audit focus identified in the External Audit Plan.

14. Accountable Officer(s)

Judith Badger (Strategic Director of Finance and Customer Services)

Approvals Obtained from:-

Strategic Director of Finance and Corporate Services:- Judith Badger

This report is published on the Council's website or can be found at:-

http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=

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Private & confidential
Judith Badger
Strategic Director, Finance & Customer Services
Rotherham Metropolitan Borough Council
Riverside House
Main Street
Rotherham
S60 1AE

Our ref dc/tc

Tim Cutler
0161 246 4774

21 June 2016

Dear Judith

Rotherham Metropolitan Borough Council – Audit progress

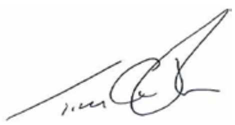
We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated April 2016. In that plan we indicated that we were planning to present an Interim Audit Report to the Council's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our financial statements audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage. Our work in relation to the risks identified for the value for money conclusion is still ongoing.

There are a small number of matters which we have discussed with you and your team. For completeness, we will include these in the ISA260 report which we will produce at the conclusion of the audit and present to the Audit Committee in September 2016.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the next meeting of your Audit Committee, to provide them with an update on the progress of our audit.

Yours sincerely



Tim Cutler
Partner

Rotherham Metropolitan Borough Council

Public Report

Council Report
Audit Committee – 20 July 2016.

Title
Internal Audit Compliance with UK Public Sector Internal Audit Standards (PSIAS).

Is this a Key Decision and has it been included on the Forward Plan?
No.

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)
Colin Earl, Assistant Director Audit, ICT and Procurement,
Internal Audit, Finance and Customer Services
Tel: 01709 822033 Email: colin.earl@rotherham.gov.uk

Ward(s) Affected
All wards.

Executive Summary
This report provides an update on Internal Audit's compliance with the Public Sector Internal Audit Standards. The external review by Price Waterhouse Coopers (PWC), completed in December 2015 and reported to the Audit Committee in February 2016, found the service was not fully meeting the requirements of the Standards. A report presented to the Audit Committee on 27 April 2016 explained the arrangements being put in place to move towards achieving compliance during 2016. This report provides an update on progress.

Reports on progress will be subject to external scrutiny as agreed by the Chief Executive and the Audit Committee at the Committee's meeting in February 2016. A partner, Veritau Ltd, has been appointed following a tendering exercise to assist with checking and supporting progress. There is a significant amount of work underpinning the attached action plan. Veritau Ltd has carried out a high level review of the work undertaken so far and the progress made to date. Based on this, Veritau has stated the action plan "*is a reasonable reflection of the actions taken and being proposed*".

Veritau Ltd is scheduled to complete a more detailed update by September and a full re-assessment of Internal Audit's compliance with the standards, by December 2016.

Recommendations

The Audit Committee is asked to:

1.1 Note progress made on the Action Plan in place to achieve compliance with Public Sector Internal Audit Standards

1.2 Note Veritau Ltd's comments on progress.

List of Appendices Included:-

Appendix 1 – Internal Audit: Assessment of Compliance with UK PSIAS and the Local Government Application Note (LGAN) – Action Plan.

Background Papers

UK Public Sector Internal Audit Standards.
PWC Review of Internal Audit – February 2016

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Title: Internal Audit Compliance with UK Public Sector Internal Audit Standards

1. Recommendations

The Audit Committee is asked to:

1.1 Note progress made on the Action Plan in place to achieve compliance with Public Sector Internal Audit Standards

1.2 Note Veritau Ltd's comments on progress.

2. Background

2.1 Internal Audit was the subject of an external review by PWC during 2015 and a report following the review was presented to the Audit Committee on 25 February 2016. One of the areas the review considered was the extent of Internal Audit's compliance with the PSIAS. Of the ten Standards tested, Internal Audit was assessed as non-compliant in five, partially compliant in two and fully compliant in three.

2.2 PWC recommended that an improvement plan should be developed that brings about the necessary improvements to meet the PSIAS requirements. Since the previous progress report to Audit Committee on 27 April 2016, Internal Audit has continued to implement actions to bring the service back towards full compliance. An updated assessment of progress in implementing the necessary improvements is shown in the action plan attached at **Appendix 1**.

2.3 There are 76 actions to take in total. PWC's assessment of compliance, when it carried out its work in late 2015, and the current assessment are summarised below:

Assessment	**Number of Red Rated Actions**	**Number of Amber Rated Actions**	**Number of Green Rated Actions**
PWC (2015)	41	32	3
Current Assessment	nil	36	40

(Note: PWC acknowledged in its report that Internal Audit was already implementing improvements while PWC was carrying out its review)

2.4 Key progress made to date includes:

Action	**Audit Standard**
The service has extended its mixed model approach to the delivery of specialist work, involving the use of specialist auditors (external) to meet gaps in relevant audit areas	1210(b) 1210(c)
The service has a partnership arrangement with Leicester City Council for ICT Audit services, which provides an assessment of ICT risks and controls.	1210(e)
Performance targets are included in all audit jobs now allocated.	1311(b)
The audit planning process has considered the recently	2010(c)

refreshed Council risk registers in their current form.	
Senior management has been consulted in the preparation of the Audit Plan 2016/17 to ensure their views on risks have been taken into account in setting the plan.	2010(g)
Internal Audit has developed a Fraud Risk Register, although it is currently in draft format.	2120(c)
Audit work takes into account current risk assessments.	2210(a) 2210(b)
Review and quality control procedures are now in place to ensure working papers meet required quality standards.	2330(a)
All audit reports now show a clear link between objectives & conclusions. Presentation is being further developed to provide a clearer and more meaningful audit opinion on each piece of work.	2420(a)

(nb – this is not a full list from Appendix 1)

2.5 This represents a better position, although there remains a significant amount of work to complete the action plan and, more importantly, embed the requirements into audit processes and procedures.

2.6 Key next steps include:

Date	**Action**	**Audit Standard**
31 July 2016	Complete performance and development reviews for all staff, following implementation of the organisation review. Ensure staff are supported by suitably qualified staff in carrying out their work Maintain a training and development log. Establish a quality assurance programme Develop the approach to adding value to the organisation through audit work Assess the Council's risk management arrangements while undertaking audit work	1210 – 1230 Ditto Ditto 1300 3000 2010 and 2120
30 September 2016	Develop the audit approach to fully reflect the Internal Audit Charter and the Organisation objectives and priorities Establish a programme to review the Council's Governance Arrangements set out in its Code of Governance	2050 2120

31 December 2016	Complete internal Quality Assurance reviews Work with Veritau Ltd to complete a current external assessment of compliance with auditing standards Carry out a survey of the views of senior managers Fully refresh the Internal Audit Manual to reflect new, compliant, audit policies and procedures	1311 Ditto Ditto 2040

(nb – this is not a full list from Appendix 1)

2.7 As shown above, Internal Audit is currently revising its processes. Staff will need to be re-trained in relevant areas to ensure they are effectively implemented, including:

- The overall approach to audit assignments, including consideration of risk, scope of work and due professional care
- Standards of evidence and recording of work
- Quality Assurance requirements and findings
- Value added work
- Completeness of audit approach
- Reporting.

2.8 Progress against the action plan will be reported to the Audit Committee at each of its meetings during 2016/17. Veritau Ltd has been asked to comment on the progress reports. There is a significant amount of work underpinning the attached action plan. For this update report, Veritau Ltd has carried out a high level review of the work undertaken by Internal Audit so far and the progress made to date. Based on this, Veritau has stated the action plan "*is a reasonable reflection of the actions taken and being proposed*".

3. Options Considered and Recommended Proposal

3.1 Internal Audit has prepared an Action Plan (Appendix 1) to highlight and address those areas of PSIAS that have been self-assessed as compliant ("green") and those as remaining either 'non' or 'partially' compliant ("amber"). The Audit Committee is asked to note the progress made since the 27 April 2016 Audit Committee report and approve the updated Action Plan to achieve full compliance.

4. Consultation

4.1 Veritau Ltd has been consulted on the report and action plan. Veritau's comments are included above at 2.8.

5. Timetable and Accountability for Implementing this Decision

5.1 Details of key dates and responsible officers are included in the action plan. Progress will be monitored on an ongoing basis and reported to the Audit Committee at each of its meetings during 2016/17.

6. Financial and Procurement Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

"each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

8. Human Resources Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

10 Equalities and Human Rights Implications

10.1 There are no direct Equalities or Human Rights Implications arising from this report.

11. Implications for Partners and Other Directorates

11.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Plan, the Corporate Improvement Plan and Children's Services Improvement Plan.

12. Risks and Mitigation

12.1 The following risks have been identified: -

(i) Limitations in resources to implement the changes planned

(ii) Failure to meet implementation timescales due to unforeseen 'responsive' or other unplanned work.

12.2 The risks are being mitigated through regular review. Remedial actions will be taken where the risk of failure becomes more than an acceptable level.

13. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

Note: RAG Status:

Completed – Completed

Green – Certain to be completed

Amber – On track / expected to be achieved / no significant issues

Red – Off target / significant action required

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1000	***Purpose, Authority and Responsibility***						
1010(a)	The Internal Audit Charter should contain a formal definition of; the purpose, authority and responsibility of Internal Audit activity and that of the Board (Audit Committee) that is consistent with the PSIAS and LGAN.	Yes		n/a		n/a	n/a
1100	***Independence and Objectivity***						
1110 1111 1120 1130	The Chief Audit Executive (CAE) should have organisational independence to an appropriate level in the organisation that allows Internal Audit to fulfil its responsibilities and maintain its objectivity. Internal auditors must have an impartial unbiased attitude free from conflicts of interest that could impair judgement and objectivity.	Yes		n/a		n/a	n/a
1200	***Proficiency & Due Professional Care***						
1210(a)	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	No		**Completed -** Job descriptions have been refreshed and re-issued as part of the Internal Audit restructure. This is now in the process of being implemented.		Head of Internal Audit	**Completed**

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1210(b)	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	No		**Completed –** The service has introduced arrangements leading to a mixed model approach to delivery of specialist work, involving the use of contractors to meet gaps in specialised audit areas i.e. ICT and Children's / Adults' Social Care. A gap analysis has been carried out to identify staff training needs and actions are being prioritised for implementation.		Head of Internal Audit	**Completed**
1210(c)	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities; does the CAE obtain competent advice and assistance?	No		**Completed –** As above in 1210(b)		Head of Internal Audit	**Completed**
1210(d)	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Partial		The service has sufficient knowledge and expertise within the team, primarily through a CIPFA accredited investigator. An assessment of any development requirements for individuals and for the team as a whole will be made as part of the PDR process to be completed following implementation of the organisation review. This will include a programme of staff training on relevant topics.		Head of Internal Audit	Development needs by 31 July 2016

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1210(e)	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Partial		**Completed** – The service has a partnership arrangement with Leicester City Council for ICT Audit services, which provides an assessment of ICT risks and controls. In addition, a programme of staff training is planned to include ICT risks and controls.		Head of Internal Audit	**Completed**
1210(f)	Do internal auditors have sufficient knowledge of the appropriate Computer-Assisted Audit Techniques (CAATs) that are available to them to perform their work, including data analysis techniques?	Partial		Assessment of any development requirements for individuals and for the team as a whole will be made as part of the Performance and Development Review process to be completed following implementation of the organisation review. A programme of staff training is planned and CAATs will be included within e) above.		Head of Internal Audit	Development needs by 31 July 2016
1220(a)	Do auditors exercise due professional care during each assigned engagement?	Partial		Development requirements for individuals and for the team as a whole will be made as part of the PDR process to be completed following implementation of the organisation review. This will include a programme of staff training and will include, in this respect, the planning & execution of audits.		Head of Internal Audit	Development needs by 31 July 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1230(a)	Do internal auditors undertake a programme of Continuing Professional Development (CPD)?	Partial		Development requirements for individuals and for the team as a whole will be made as part of the PDR process to be completed following implementation of the organisation review. This will include a programme of staff training and other CPD activities.		Head of Internal Audit	Development needs by 31 July 2016
1230(b)	Do internal auditors maintain a record of their professional development and training activities?	Partial		Individuals' and team records of training and development activities will be established. Staff will be required to maintain a CPD log.		Head of Internal Audit	Development needs by 31 July 2016
1300	***Quality Assurance & Improvement Programme (QAIP)***						
1300(a) 1300(b) 1300(c)	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated? Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement? Does the CAE maintain the QAIP?	No		Job review arrangements are in place covering report and file reviews and performance management KPIs. A more structured QA improvement programme is being set up and will commence in July 2016. The results of the Quality Assurance Improvement Programme will form part of future audit progress reports and the Annual Audit Reports.		Head of Internal Audit	Programme by 31 July 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1310(a)	Does the QAIP include both internal and external assessments?	Partial		Internal quality assurance assessments will be carried out by the Head of Internal Audit on an ongoing basis. This update report represents an ongoing assessment that reflects recent external assessments by PWC and Veritau Ltd.		Head of Internal Audit	Ongoing self-assessment starting July 2016 External review by 31 December 2016
1311(a)	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Partial		**Completed** – We have produced an initial assessment of the skills and experience required to complete each piece of work in the Audit Plan. These will be assigned to relevant staff within the in-house team in accordance with their grade and experience, following approval of the audit plan. Where there are insufficient skills in-house, external resources will be procured to perform the relevant work, in line with the mixed model approach to delivery.		Head of Internal Audit	**Completed**
1311(b)	Does ongoing performance monitoring include comprehensive performance targets?	Partial		**Completed** – Performance targets are now included in all work allocated.		Head of Internal Audit	**Completed**

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
1311(c)	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Partial		Performance targets will be refreshed and included in the Internal Audit Charter for approval by the Audit Committee.		Head of Internal Audit	30 September 2016
1311(d)	Does ongoing performance monitoring include obtaining stakeholder feedback?	Partial		Surveys are sent along with all final reports issued by the service. In addition, we will carry out a periodic survey of Directors, Assistant Directors and M3 managers, including for the first time by the end of December 2016 to coincide with the external peer review.		Head of Internal Audit	31 December 2016
1311(e)	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	Partial		An external assessment was carried out by PWC and reported in February 2016. A follow-up external assessment will be completed by Veritau Ltd by December 2016. See 1310(a) above.		Head of Internal Audit	31 December 2016
1311(f)	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Partial		See 1310(a) above.		Head of Internal Audit	31 December 2016
1320(a)	Has the CAE reported the results of the QAIP to senior management and the board? Note that: - • The results of both external and periodic	No		We have reported the results of the PWC assessment and ongoing self-assessment including a recent review by		Head of Internal Audit	From July 2016 onwards

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	internal assessment must be communicated upon completion. • The results of ongoing monitoring must be communicated at least annually. • The results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.			Veritau Ltd (July 16). The results of future quality assurance reviews will be included in Internal Audit progress reports to the Audit Committee.			
1320(b)	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	No		The QAIP will form part of future Internal Audit progress and Annual Reports, from 2016/17.		Head of Internal Audit	From July 2016 onwards
1321	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Partial		The QAIP will form part of future Internal Audit progress and Annual Reports, from 2016/17.		Head of Internal Audit	From July 2016 onwards
1322(a)	Has the CAE reported any areas of non-conformance with PSIAS to the board?	No		**Completed** – This report highlights areas of non-conformance.		Head of Internal Audit	**Completed**
1322(b)	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	No		**Completed** – Although the PWC report highlighted a number of non-compliance matters, these were not included in the AGS because progress had been made in responding to them, as acknowledged by PWC, and reference may have undermined the significance of weaknesses in the Council's control environment found by Internal Audit, which were regarded to be more significant.		Head of Internal Audit	**Completed**

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2000	**Managing the Internal Audit Activity**						
2000(a)	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	No		**Completed –** the new style audit reports and audit conclusions explicitly relate the the job objectives, which link to the audit plan and the Internal Audit Charter and Strategy.		n/a	**Completed**
2000(b)	Does the internal audit activity conform with the *Definition of Internal Auditing* and the *Standards*?	No		**Completed –** As above at 2000(a).		n/a	**Completed**
2000(c)	Does the internal audit activity add value to the organisation and its stakeholders by: - • Providing objective and relevant assurance? • Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	No		Explicit ways of approaching added value and recording and reference outcomes will be considered and appropriate processes included in the audit approach. Each audit brief will show how we intend to add value and the report will identify any extra assurance we have been able to provide.		Head of Internal Audit	31 July 2016
2010(a)	Does the risk-based plan take into account the organisation's assurance framework?	Partial		Known sources of assurance have been taken into account in determining the 2016/17 Internal Audit Plan. A fuller assurance mapping exercise to determine where reliance can be placed on other internal and external sources of assurance will be completed during 2016/17.		Head of Internal Audit	31 March 2017
2010(b)	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:	No		The audit plan approach has considered risks in key service areas and makes reference to		Head of Internal Audit	30 September 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	• How the internal audit service will be developed in accordance with the internal audit charter? • How the internal audit service links to organisational objectives and priorities?			the corporate and service plans. Cross-reference to the plan will be made in the refresh of the Internal Audit Charter.			
2010(c)	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	No		**Completed -** The Council's Risk Management Framework has recently been refreshed and the audit planning process has considered the Council risk registers in their current form.		Head of Internal Audit	**Completed**
2010(d)	Does the risk-based plan set out the respective priorities of audit work to be carried out?	No		**Completed –** All audits within the Audit Plan are high priority. Limitations in audit resources preclude lower risk activities from inclusion in the plan.		Head of Internal Audit	**Completed**
2010(e)	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	No		**Completed –** The Audit Plan is reviewed and adjusted periodically (see for example Feb 2016 progress report to Audit Committee).		Head of Internal Audit	**Completed**
2010(f)	In developing the risk-based plan, has the CAE also considered the requirement to use specialists, e.g. IT or contract and procurement auditors?	No		**Completed –** Internal Audit has procured external specialist resource to support delivery of the Audit Plan during 2015/16. This will continue into 2016/17.		Head of Internal Audit	**Completed**
2010(g)	Is the input of senior management and the Audit Committee considered in the risk assessment process?	No		**Completed –** Senior management has been consulted in the preparation of the Audit Plan 2016/17 to		Head of Internal Audit	**Completed**

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
				ensure their views on risks have been taken into account in setting the plan. Senior management are more actively involved in producing the risk registers used in preparing the internal audit plans			
2010(h)	Does the CAE identify and consider the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinion and any other conclusions?	No		The audit approach will be broadened to encompass the requirements.		Head of Internal Audit	30 September 2016
2010(i)	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	No		**Completed –** Consulting engagements (e.g. review of Children's Services IT System 'Liquid Logic') has added value in this regard.		Head of Internal Audit	**Completed**
2010(j)	Are consulting engagements that have been accepted included in the risk-based plan?	No		**Completed –** As above at 2010(i).		Head of Internal Audit	**Completed**
2030(a)	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	No		**Completed –** the Audit resource has been determined based on a new mixed model approach designed to ensure in-house staff are supplemented as necessary by specialists. Together these will provide sufficient resource and expertise to complete a full audit programme over the		Head of Internal Audit	**Completed**

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
				course of the year to enable an opinion to be given at the end of the year on the Council's control environment.			
2030(b)	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Partial		All work in the audit plan is being allocated to available resources and will take into account optimum timing to avoid abortive work and maximise value added. These decisions will be made in conjunction with service management.		Head of Internal Audit	31 July 2016
2040(a)	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Partial		There is an internal audit manual. This will be fully reviewed and refreshed during 2016/17.		Head of Internal Audit	31 December 2016
2040(b)	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Partial		Team based development needs will be identified and planned for implementation during 2016/17. The Internal Audit Manual will be updated and we have begun the process of procuring an electronic audit management system.		Head of Internal Audit	31 July 2016 31 December 2016
2040(c)	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	No		Policies and procedures will be fully reviewed and refreshed during 2016/17. A programme of regular review will be established from 2017/18.		Head of Internal Audit	31 December 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2050(a) 2050(b) 2050(c)	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	No		Known sources of assurance have been taken into account in determining the 2016/17 Internal Audit Plan. A fuller assurance mapping exercise to determine where reliance can be placed on other internal and external sources of assurance will be completed during 2016/17.		Head of Internal Audit	31 March 2017
2100	**Nature of Work**						
2100(a)	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	No		These requirements are being integrated into job briefs requiring explicit consideration of governance and risk. See 2200(a)		Head of Internal Audit	31 July 2016
2100(b)	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	No		Application will be checked through the Quality Assurance processes. The revised Internal Audit Manual will set this out.		Head of Internal Audit	30 September 2016
2110(a) 2110(b)	Does the internal audit activity: - • Ensure effective organisational performance management and accountability? • Communicate risk and control information to appropriate areas of the organisation?	No		We have completed work in Children's Services, but need to apply this approach across the Council. We will carry out further work on the Councils governance arrangements during 2016/17. We will periodically report on		Head of Internal Audit	30 September 2016

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?			the control environment to SLT and quarterly to the Audit Committee to identify any areas where significant weaknesses have been found.			
2110(c)	Has the internal audit activity evaluated the: • Design • implementation, and • effectiveness of the organisation's ethics-related objectives, programmes and activities?	No		An assessment will be completed during 2016/17.		Head of Internal Audit	31 December 2016
2110(d)	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	No		We have completed a piece of work around the Information Governance Toolkit, but will expand on this through our IT Audit arrangement with Leicester City Council and review of IT Governance arrangements.		Head of Internal Audit	31 December 2016
2110(e)	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	No		**Completed –** The 2016/17 IT risk assessment has led to the inclusion in the Internal Audit Plan of audit work on IT Governance & Ethics.		Head of Internal Audit	**Completed**
2120(a)	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: - • Organisational objectives support and align with the organisation's mission? • Significant risks are identified and assessed? • Appropriate risk responses are selected that align risks with the organisation's	No		Each audit will now include an assessment of risk management arrangements of the area under review. We will also carry out a review the Council's recently refreshed Risk Management Framework.		Head of Internal Audit	31 July 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	risk appetite? • Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?						
2120(b)	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: • Achievement of the organisation's strategic objectives? • Effectiveness and efficiency of operations and programmes? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures and contracts?	No		A programme of review of the Council's governance arrangements, covering the areas listed will be drafted during 2016/17.		Head of Internal Audit	30 September 2016
2120(c)	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Partial		**Completed –** We have developed a Fraud Risk Register (in draft).		n/a	**Completed**
2120(d)	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	No		**Completed -** We will maintain our independent assurance role and avoid taking on any management involvement/responsibility of those areas under audit review.		n/a	**Completed**
2130(a)	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: - • Achievement of the organisation's	No		A programme of review of the Council's governance arrangements, covering the areas listed will be drafted during 2016/17.		Head of Internal Audit	30 September 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	strategic objectives? • Effectiveness and efficiency of operations and programmes? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures and contracts?						
2200	***Engagement Planning***			**All aspects of 'engagement planning' will be considered for inclusion in the revised Internal Audit Manual**			
2200(a)	Do internal auditors consider the following in planning an engagement, and is this documented: • The means by which the activity controls its performance? • The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	Partial		**Completed –** Job briefs now require consideration of the organisation's arrangements.		n/a	**Completed**
2200(b)	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: - • The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	No		See below Our arrangements/contracts with academies will be refreshed to formally include these requirements.		Head of Internal Audit	30 September 2016

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2210(a) 2210(b)	Have internal auditors carried out a preliminary risk assessment of the activity under review? Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Partial		**Completed –** These requirements are captured by the revised Audit Brief template recently introduced.		Head of Internal Audit	**Completed**
2210(c)	Have internal auditors considered the probability of the following, when developing the engagement objectives: - • Significant errors? • Fraud? • Non-compliance? • Any other risks?	No		**Completed –** the Audit planning file takes into account risk assessments which will include the probability of fraud, error and compliance.		Head of Internal Audit	**Completed**
2210(d)	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	No		The Council is developing its service planning and performance frameworks. Internal Audit will assess the extent to which management has in place appropriate arrangements during 2016/17.		Head of Internal Audit	31 December 2016
2210(e)	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Partial		**Completed -** Any assessment of VFM will include an assessment of all elements to confirm the Council considers these.		Head of Internal Audit	**Completed**
2220(a)	Does the engagement scope include consideration of the following relevant areas of the organisation: • Records? • Premises?	Partial		**Completed –** the Audit planning file takes into account risk assessments which will include risks relating to records and property.		Head of Internal Audit	**Completed**

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2220(b)	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: • Records? • Premises?	Partial		**Completed** – the Audit planning file takes into account risk assessments relating to records and property, including any under the control of outside parties.		Head of Internal Audit	**Completed**
2240(a)	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Partial		**Completed** – Individual audit work programmes (briefs) are jointly scoped with the client in accordance with the detailed Audit Plan and agreed that the scope meets the planned objective(s).		Head of Internal Audit	**Completed**
2240(b)	Do the engagement work programmes include the following procedures for: - • Identifying information? • Analysing information? • Evaluating information? • Documenting information?	Partial		The scope of individual assignments will incorporate these principles. This will be developed further with Veritau Ltd.		Head of Internal Audit	From July 2016
2240(c)	Were work programmes approved prior to implementation for each engagement?	Partial		**Completed** – The scope of individual assignments are approved before each engagement.		Head of Internal Audit	**Completed**
2240(d)	Were any adjustments required to work programmes approved promptly?	Partial		**Completed** – Changes to scope are reviewed and agreed immediately.		Head of Internal Audit	**Completed**

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2300	**Performing the Engagement**			**All aspects of 'performing the engagement' will be considered for inclusion in the revised Internal Audit Manual**			
2320(a)	Have internal auditors remained alert to the possibility of the following: - • intentional wrongdoing • errors and omissions • poor value for money • failure to comply with management policy, and • conflicts of interest when performing their individual audits, and has this been documented?	No		**Completed -** Job briefs now include the requirement to be alert to these possibilities and to reach an explicit conclusion on them for each piece of work. This will be incorporated into the revised Internal Audit Manual and any future training sessions.		Head of Internal Audit	**Completed**
2330(a)	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	Partial		**Completed -** Review and quality control procedures will ensure working papers meet required quality standards.		Head of Internal Audit	**Completed**
2330(b)	Has the CAE developed and implemented retention requirements for all types of engagement records?	No		We will introduce a formal retention policy/procedure for Internal Audit files.		Head of Internal Audit	30 September 2016
2330(c)	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	No		As above at 2330(b).		Head of Internal Audit	30 September 2016

Appendix 1

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
2400	**Communicating Results**			**All aspects of 'communicating results' will be considered for inclusion in the revised Internal Audit Manual**			
2400(a)	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Partial		**Completed -** We will ensure any areas of disagreement are recorded in the Action Plan and any residual risk(s) referred to in the Executive Summary. This process will be documented in the revised Internal Audit Manual.		Head of Internal Audit	**Completed**
2420(a)	Are communications: - • Accurate? • Objective? • Clear? • Concise? • Constructive? • Complete? • Timely?	Partial		**Completed –** All audit reports now show a clear link between objectives & conclusions. We are planning further work on reporting and have already revised the presentation to provide a clearer assessment of audit opinion to management.		Head of Internal Audit	**Completed**
2430(a)	Do internal auditors report that engagements are *'conducted in conformance with the PSIAS'* only if the results of the QAIP support such a statement?	No		Procedures have been changed to ensure the statement will be added to internal audit reports when the Quality Assurance Improvement Programme confirms compliance with the standards.		Head of Internal Audit	**Completed**
2431(a)	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:	No		Completed – requirement built into review and reporting procedures.		Head of Internal Audit	**Completed**

Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance (PWC report)	RAG Status (PWC)	Comment on Current Position and Action Taken or Required	RAG Status (now)	Responsible Officer for Action	Date for completion
	• The principle or rule of conduct of the *Code of Ethics* or *Standard(s)* with which full conformance was not achieved? • The reason(s) for non-conformance? • The impact of non-conformance on the engagement and the engagement results?						
2450(a)	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Partial		The draft annual audit opinion has been presented to the Chief Executive, Strategic Director of Finance and Customer Services and Audit Committee, and agreed. Revisions will be made to reflect best practice suggested by Veritau Ltd		Head of Internal Audit	30 September 2016
2500	***Monitoring Progress***			**All aspects of 'monitoring progress' will be considered for inclusion in the revised Internal Audit Manual**			
2500(a)	A process should be in place to monitor and follow-up agreed actions (recommendations) to ensure implementation. Progress monitoring should inform risk-based planning of future audit work.	Yes		n/a		n/a	n/a

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report:
Audit Committee

Title:
Implementation of Recommendations resulting from the PWC Review of Internal Audit

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report:
Judith Badger (*Director of Finance and Customer Services)*

Report Author(s):
Colin Earl (*Assistant Director Audit, ICT and Procurement)*

Ward(s) Affected:
None

Executive Summary:
This report provides an update on progress against the recommendations made in the recent PWC review of Internal Audit. Progress is currently being made in accordance with the majority of the action plan.

There remains a significant amount of development and improvement required to bring the service up to full compliance with standards and to where it can better add value to the development of the Council’s control arrangements.

Reports on progress will be subject to external scrutiny as agreed by the Chief Executive and the Audit Committee at the Committee’s meeting in February 2016. A partner, Veritau Ltd, has been appointed following a tendering exercise to assist with checking and supporting progress. Veritau Ltd has looked at this report and has confirmed it “*is a fair and accurate reflection of current progress against the PWC action plan”.*

Recommendation:
The Audit Committee is asked to note the progress made in implementing the recommendations included in the PWC review of Internal Audit.

Background Papers:
none

Consideration by any other Council Committee, Scrutiny or Advisory Panel:
No

Council Approval Required:
No

Exempt from the Press and Public:
No

Title:
Implementation of Recommendations resulting from the PWC Review of Internal Audit

1. Recommendations

1.1 The Audit Committee is asked to note the progress made in implementing the recommendations included in the PWC review of Internal Audit.

2. Background

2.1 Professional Standards for Internal Audit are set out in the UK Public Sector Internal Audit Standards (UKPSIAS) and these require an independent assessment of internal audit at least every 5 years.

2.2 In 2015, the Interim Director of Finance and Corporate Services commissioned a review of Internal Audit to be conducted by PWC, following a competitive tender exercise. The PWC review was a comprehensive assessment. The report following the review was presented to the Audit Committee in February 2016. It recommended a number of actions required to improve the service and ensure full compliance with audit standards. The action plan from the PWC report is attached at **Appendix 1**.

3. Review of Progress in Implementing the Recommendations from the PWC Review

3.1 Internal Audit was already aware of a number of areas it needed to develop prior to the commencement of the PWC review and had begun to make various improvements. PWC acknowledged this in its reporting, but concluded it was too early to confirm new arrangements were effective. The PWC review highlighted other significant areas where progress needed to be made.

3.2 Internal Audit has continued to implement improvements identified prior to the PWC review and, since the completion of the review, the actions emanating from it.

3.3 Appendix 1 contains a full update of progress against the PWC recommendations. Key points are:

- There are 19 actions spread across 17 recommendations. 6 actions have been completed, 2 are rated green (certain to be achieved) and 11 are amber rated (in progress / on target). There are no red rated actions (ie off target / requiring action).
- Actions completed / certain to be completed are:
  - The 2015/16 audit plan was successfully delivered (with 95% delivery achieved against the final plan).
  - The Audit opinion on the Council's Control Environment was produced in line with the requirements of the audit standards.
  - A service review has been completed and its outcomes are now being implemented.

  - The audit structure and budget provides for specialist audit resources to be engaged as required to carry out specified work in the audit plan.
  - A decision has been made to terminate the audit agreement between Rotherham and Doncaster Councils on 30 September 2016.
  - There has been more consultation and engagement with senior management in audit planning and in reviewing progress.
- Key other actions in progress are:
  - A plan has been produced to achieve full compliance with auditing standards, is subject to regular review and will be reported frequently to the Audit Committee.
  - A service development plan has been produced (and its implementation commenced), and individual PDRs are being completed following implementation of the restructure.
  - The Audit Charter and Strategy are being updated and will be presented to the Audit Committee for agreement in September.
  - The audit scoping and reviewing processes are being refreshed.
  - Options for streamlining administration and audit processes are being explored to increase the productivity of audit resources.

3.4 There remains a significant amount of development and improvement to bring the service up to full compliance with standards and to where it can better add value to the development of the Council's control arrangements. A partner, Veritau Ltd, has been appointed following a tendering exercise to assist with checking and supporting progress.

3.5 Progress against the action plan will be reported to the Audit Committee at each of its meetings during 2016/17. Veritau Ltd has been asked to comment on the progress reports. Veritau Ltd made some helpful suggestions / comments and these have been reflected in the action plan. Veritau's comment on the report is:

> *"We've reviewed the PWC action plan report by discussing the content with officers, and cross referencing to other sources of information where appropriate (eg the annual report, report being produced on PSIAS compliance, audit plan).*
> *… Based on the information seen, and taking into account [our comments] we believe the report is a fair and accurate reflection of current progress against the PWC action plan".*

4. Options considered and recommended proposal

4.1 Any options relevant to individual recommendations are covered within the Appendix.

5. Consultation

5.1 The report is presented to the Audit Committee to enable it to fulfil its responsibility for overseeing the work and standards of internal audit.

5.2 The Director of Finance and Customer Services has been fully briefed on progress.

6. Timetable and Accountability for Implementing this Decision

6.1 Timescales for implementation of recommendations are given in the action plan at Appendix 1.

7. Financial and Procurement Implications

7.1 Internal Audit is required to achieve £25,000 savings in 2016/17 and this is being achieved through a reduction in the size of core establishment as a result of vacancies and voluntary severance / retirement. The resources required to deliver the Council's audit requirements from 2016/17 will be contained within the 2016/17 budget, and will include a combination of in-house and specialist (external) resources, in line with the mixed model approach approved by Commissioners and Members.

7.2 Any financial implications specifically arising from the implementation of recommendations made in this report will be dealt with as appropriate.

8. Legal Implications

8.1 The Council is required to comply with the Accounts and Audit Regulations relating to the provision of an effective internal audit function. The actions proposed in response to the PWC report are designed to ensure the Council fulfils this requirement as quickly as possible.

8.2 There are no further direct legal implications associated with this report.

9. Human Resources Implications

9.1 Any HR implications emanating from the implementation of the recommendations will be addressed in full consultation with Human Resources. This could involve matters relating to staff development, skills and capabilities.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no immediate implications associated with the proposals.

11. Equalities and Human Rights Implications

11.1 There are no immediate implications associated with the proposals.

12. Implications for Partners and Other Directorates

12.1 Senior management, Members and other stakeholders will be consulted in relation to the future expectations for the internal audit service, as part of the implementation of recommendations made in the PWC report. The aim will be to ensure major issues and risks for services are reflected in the audit planning processes, including where relevant, partnership working.

13. Risks and Mitigation

13.1 The failure to maintain an effective audit function means the Council fails to comply with the Accounts and Audit Regulations, as well as failing to secure the benefits of an effective and modern internal audit that helps the Council manage its risks and adds value to control arrangements in place at the Council. More comprehensive performance management arrangements will provide better control this risk.

13.2 Close and regular monitoring of the implementation of recommendations included in the action plan, including regular presentation of progress to the Audit Committee, will ensure any risks of failing to achieve improvements will be monitored and addressed.

14. Accountable Officer(s):

Colin Earl (Assistant Director Audit, ICT and Procurement).

APPENDIX 1

REVIEW OF INTERNAL AUDIT – DETAILED ACTION PLAN

Note: RAG Status:

Completed – Completed

Green – Certain to be completed

Amber – On track / expected to be achieved / no significant issues

Red – Off target / significant action required

Ref	Recommendation	Priority Rating	Proposed Action	Responsible Officer	Target Date	Progress	Current Status (RAG)
1	**Leadership and accountability** The Council should consider the existing leadership arrangements for IA. It would seem appropriate to have one individual acting as Head of Internal Audit and Chief Audit Executive whilst also fulfilling the role of Chief Internal Auditor. This individual should be given the appropriate grade and seniority to fulfil the role and to engage with senior stakeholders across the Council. In the Local Government Application Note (2.18) it says "CIPFA and the IIA expect that the CAE should not report administratively to or be managed at a lower organisational level than the corporate management team…."	**High**	Restructure proposals will be brought forward for consultation. They are likely to include the creation of a post of Head of Internal Audit, to report directly to the Strategic Director of Finance and Customer Services	~~Interim Director of Finance and Corporate Services, in consultation with the Chief Executive and Director of Finance and Customer Services~~ Assistant Director Audit, ICT & Procurement	29 February 2016	**Completed** – Restructure proposals completed and implementation of the resulting new structure is in progress. The structure includes a new Head of Internal Audit post, reporting directly to the Strategic Director of Finance and Customer Services	**Completed**

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2	**Structure of IA in the short to medium term** The Council should consider its audit requirements in the short to medium term. The exact requirements will need to be agreed and will be dependent upon the Council's decisions on leadership of the function but we believe an arrangement with a third party who could provide leadership (or management support) and additional resource (including specialists) in the short term would be the most beneficial to the Council. We have been advised that consideration is already being given to this issue. The Council should consider the current contractor arrangements to determine if value for money is being obtained. This should form part of the wider review of the delivery model and the organisation structure of IA. If a full in-house function is retained, the IA function should be restructured in order to be more efficient. These changes should be alongside a review of capabilities and role definitions for each grade in order to provide a framework for staff to aspire to.	**High**	A new operating approach, involving a mixed delivery model, has been approved by commissioners and Members. The restructure proposals referred to at Rec 1 will implement the proposals and address the issues raised in this recommendation. The mixed delivery model will include a core in-house resource supplemented by specialists as required.	~~Interim Director of Finance and Corporate Services, in consultation with the Chief Executive and Director of Finance and Customer Services~~ Director of Finance and Customer Services	29 February 2016	**Completed –** The restructure proposals incorporate resources to buy in specialist audit expertise as required. ICT audit resource requirements have been identified and an agreement with Leicester City Council's audit team extended for 2016/17. Other specialist resource requirements are being identified.	**Completed**

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3	**Shared arrangement with Doncaster Council** The Council should consider the merits of retaining this partnership arrangement. Other than the income received for the shared HIA, the Council does not appear to be benefitting in any way from this shared arrangement and the value of continuing it should be reviewed.	**Medium**	Doncaster Council will be consulted on the outcomes of this review and implications and options for the immediate and medium terms.	~~Chief Executive~~ Director of Finance and Customer Services	31 March 2016	**Completed –** It has been agreed between the two councils that the arrangement will terminate on 30 September 2016.	**Completed**
4	**PSIAS and improvement plan** An improvement plan should be developed by the CAE/CIA based on the recommendations made in this report and the improvements required to fully meet the PSIAS requirements. This should include allocations of responsibility and timescales and should be tracked to evidence improvement.	**High**	A detailed plan identifying actions required to achieve compliance from 2016/17 will be produced. The plan will be implemented and a further external review of compliance completed during 2016/17.	Assistant Director Audit, ICT and Procurement	29 February 2016 31 December 2016	**Completed –** An action plan has been produced. Separate updates are provided on a regular basis to the Audit Committee.	**Completed**
5	**Implementing change – new working practices** Changes to working practices should be supported by an implementation plan and the provision of support and training if required. Staff should be able to see opportunities for personal development in the introduction of new practices – opportunities to increase	**High**	Requirements relating to new approaches and methods will be drafted within the detailed improvement plan referred to in Rec 4. This will include training and development	Assistant Director Audit, ICT and Procurement	29 February 2016	A team development plan has been produced and its implementation commenced.	Amber – plan requires implementati on

	coaching and supervisory skills and increase empowerment should be emphasised so that staff buy into the proposed changes.		requirements relating to new approaches and methods, and a programme for delivering the support to staff.				
6	**Engaging with stakeholders** The new relationship management approach should be fully implemented although it should be reviewed to focus more on the departments' risks rather than the IA view and perspective. Staff should be encouraged to develop greater relationships outside of IA and to develop broader networks within the Council. Greater clarity in the audit plan around how the audit reviews link back to the Council's risks and objectives would help to demonstrate to stakeholders how internal audit is focusing its work on key risk areas. The Internal Audit function should undertake to raise its profile within the organisation through greater interaction at the management team and senior officer level using existing internal mechanisms.	**High**	Regular quarterly meetings will be held with directorate management team to review risks. The audit plan will be directly linked to the corporate, directorate and service plans. Internal Audit progress reports will be presented to the Strategic Leadership Team (SLT) prior to submission to the Audit Committee. Reports receiving 'inadequate' audit opinions will also be reported to SLT.	Assistant Director Audit, ICT and Procurement	Quarterly from March 2016 27 April 2016 Quarterly from March 2016	Planning meetings were held with Directorate Management Teams in the lead up to the production of the 2016/17 audit plan and the next round of meetings have been scheduled for July / August 2016. Links will be finalised to the corporate plan and risks upon approval of the corporate plan. The 2015/16 Annual Report and the Quarter 1 2016/17 progress report have been presented to SLT. The type and description of Internal Audit opinions are being extended to reflect the extent to which	Green – meetings held and subsequent meetings set up Amber Green

						risks are managed and to provide more useful information to management.	
7	**Support and development for IA staff** All staff should be encouraged to agree a development plan designed to enhance their skills and expertise. This can include both technical development and softer skills.	**High**	Completion of better PDRs linked to the improvement and audit plans.	Assistant Director Audit, ICT and Procurement	~~27 April 2016~~ 31 July 2016	PDRs will be completed following implementation of the organisation review.	Amber (new timeline requested)
8	**Strategy and vision for internal audit** The Council should review the current IA strategy and vision for its Internal Audit Service and ensure it is understood and articulated to both the IA team and the wider Council. An implementation plan for the strategy should be developed which includes clear targets for people, systems and processes. The plan should clearly articulate how the Council will: • Match the resource needs (in terms of capacity and skill mix) of the audit plan and the Council: and • Develop its team to meet the current (and future) needs of the Council; (see Issue 7) The delivery of this plan should be monitored.	**High**	The Internal Audit Charter and Strategy will be updated to reflect the Council's expectations indicated in the PWC report and the aspirations of the Auditing Standards. The 2016/17 Audit Plan will be produced to better meet these expectations. The proposals set out in the Charter, strategy and 2016/17 plan will be submitted to the Strategic Leadership Team and Audit Committee for agreement.	Assistant Director Audit, ICT and Procurement	27 April 2016	The Charter and Strategy are being updated to take into account comments made by PWC. The Audit Plan 2016/17 reflects the requirements of the Charter and Strategy, including relating to resourcing.	Amber (it is proposed to refresh the Internal Audit Charter and Strategy by 31 July 2016, and present any update to the Audit Committee in September)

			The 2016/17 plan will indicate how it will be resourced using the approved mixed model approach.				
9	**Assurance map – identifying gaps in assurance** An assurance map should be developed identifying key risks not being addressed through IA work and detailing any other sources of assurance. This should be presented to the Audit Committee as part of the annual planning process.	**Medium**	The planning process will explicitly set out other forms of assurance the Council can rely on to confirm risks are managed effectively.	Assistant Director Audit, ICT and Procurement	27 April 2016	The Audit Plan provides an initial evaluation of assurances available in addressing the Council's key risks. This will be developed during the year, to further inform the audit assessment and to support the year end annual opinion to be given by the Chief Audit Executive.	Amber – initial assessment made, but further development is required. Further assessment by 31 Dec 2016
10	**Risk management within the Council** Consideration should be given to the role of IA in improving the Council's risk management arrangements. This should be in the form of support and facilitation building on the audit teams expertise in risk and control, whilst acknowledging that overall responsibility lies with management. We have been advised that steps are being taken by the Council to review and improve its risk management arrangements.	**Medium**	The Council wishes to keep separate the responsibilities for audit and risk. It has appointed a risk manager from 1st January 2016 to drive forward improvements in risk management. The risk manager will liaise with Internal Audit as appropriate. However, Internal Audit will assess the	N/a Assistant Director	N/a Ongoing from	N/a All relevant Internal Audit work now includes a	N/a Amber – commenced

			management of risks when undertaking its audit work and promote effective risk management by making rec'ns for improvement as appropriate.	Audit, ICT and Procurement	March 2016	standard test of evidence of risk management. Findings are being collated as audit work is completed and will be reported to the Corporate Risk Manager and summarised in progress reports presented to SLT and the Audit Committee, as appropriate.	and evidence to be gathered throughout 2016/17
11	**Delivery of the 2015/16 internal audit plan** An exercise is needed to reprioritise the audit plan and to ensure that the planned reviews in the highest risk areas are undertaken. Additional resource should be used if necessary.	**High**	Agreed – Plan revisions to be presented to the Audit Committee on 10th February 2016. Additional resources secured to ensure adequate audit coverage is achieved for 2015/16.	Assistant Director Audit, ICT and Procurement	27 April 2016	**Completed –** The 2015/16 audit plan was successfully delivered	**Completed**
12	**Improving audit reports** Audit reports should be reviewed to focus on the recipient. The emphasis should be on what the overall opinion is and what action does the recipient need to take. Care should be taken to clearly show any limitations on scope as it is rare that an audit review covers all risks associated with a system or process. The audit team should look for opportunities to add value by sharing insight and experiences from other	**Medium**	The format of audit reports will be reviewed and any changes introduced from 2016/17	Assistant Director Audit, ICT and Procurement	27 April 2016	A new format of report is being introduced for 2016/17 work, to more clearly reflect the risks being assessed and the value / assurance being provided by the audit work, which should be of more relevance / significance to the recipients. Views on the new format will be tested	Amber

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	parts of the Council or from elsewhere.					and the format refined further, as required during 2016/17.	
13	**Annual reporting** The CAE/CIA should review the annual reporting process in line with PSIAS. The report should be concise and the overall opinion should be clear and supported by clear information based on work completed and reported. The style of report should be reviewed in order to better present the findings of IA.	**Medium**	The 2015/16 annual report will be reviewed to comply fully with the UK Auditing Standards and to clearly summarise the work of internal audit and its results	Assistant Director Audit, ICT and Procurement	27 April 2016	**Partially Complete –** the Internal Audit opinion on the Council's Control Environment was clear with regard to the basis of the conclusion reached. Veritau has identified further information to be added to the annual reports.	**Partially Complete**
14	**Level of non-productive time** Non-productive time for internal audit should be reduced. Currently a disproportionate amount of time is spent on this within the team. More value could be obtained by the CAE/CIA determining new processes and informing the team of the rationale behind any changes.	**Medium**	Current non-productive time will be reviewed, arrangements revised where relevant and clear targets set from 2016/17.	Assistant Director Audit, ICT and Procurement	27 April 2016	The Audit Plan includes new targets for minimising non-productive time, equating to a 15% reduction on 2015/16. Some one-off non-productive time will be accumulated though, due to transition to new arrangements (eg training, new recording system). Progress on achieving the target will be monitored and reported throughout the year.	Amber

15	**Performance information** IA should review the process for management information including time recording and job analysis. This will facilitate greater control over audit productivity as well as providing a basis for performance monitoring. The CAE/CIA should look to agree a series of performance indicators with the S151 Officer and regularly report on these indicators to demonstrate performance of the IA function.	**Medium**	Arrangements for time recording and monitoring of progress on audit work will be assessed and revisions made as appropriate.	Assistant Director Audit, ICT and Procurement	27 April 2016	Revisions have been made to streamline the current, manual, arrangements. Review of their efficiency and effectiveness will be carried out during the course of 2016/17. Further efficiencies should be capable of being achieved through the implementation of an electronic audit system (rec 17).	Amber
16	**Assignment review process** The review process for individual reports should be revisited and improved. Steps should be taken to reduce the time between audit fieldwork and report issue. Version control should be introduced and audit management should be held to account for excessive delays in reporting on audit findings.	**Medium**	Clear targets will be set and monitored for the reviewing and reporting processes, to ensure work is issued in a timely manner following completion of fieldwork.	Assistant Director Audit, ICT and Procurement	29 February 2016	Recommendations have been introduced for 2016/17 pieces of audit work. Effectiveness and efficiency will be assessed during the course of the year (2016/17).	Amber
17	**Technology** The CIA/CAE should consider the benefits of introducing an automated audit system to increase consistency and improve the quality assurance process. They should also consider what immediate skills are required to deliver the current IA plan.	**Medium**	Options for developing the use of automation will be considered. Skills requirements are referred to in the responses to recommendations 2 and 8	Assistant Director Audit, ICT and Procurement	30 June 2016	A specification has been drafted, and a procurement process has commenced.	Amber

Agenda Item 12

Rotherham Metropolitan Borough Council

Public Report, ***With Restricted Appendix***

Council Report
Audit Committee Meeting – 20 July 2016

Title
Internal Audit Progress Report for the Three Months Ending 30 June 2016.

Is this a Key Decision and has it been included on the Forward Plan?
No.

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)
Colin Earl, Assistant Director Audit, ICT and Procurement
Internal Audit, Finance and Customer Services
Tel: 01709 822033 Email: colin.earl@rotherham.gov.uk

Ward(s) Affected
All wards.

Executive Summary
This report provides a summary of Internal Audit work completed during the period April 2016 to June 2016 and the key issues that have arisen from it. It also provides information regarding the performance of the Internal Audit function during the period.

Following the presentation of the PWC review of Internal Audit report to the Audit Committee in February 2016, Veritau Ltd was commissioned to independently review and provide commentary on Internal Audit progress reports presented to the Audit Committee in 2016/17. Veritau Ltd has reviewed the attached report and has confirmed it is a "*reasonable reflection of the work done"* by the service during the period.

Recommendations
The Audit Committee is asked to:

i) **Note the Internal Audit work undertaken during the three months ending 30 June 2016 and the key issues that have arisen from it.**

ii) **Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of the performance.**

iii) **Note the independent assurance provided by Veritau Ltd on the report.**

List of Appendices Included
Appendix 1 – Internal Audit Progress Report for the Three Months Ending 30 June 2016 (exempt).

Background Papers
UK Public Sector Internal Audit Standards.
Accounts and Audit (England) Regulations 2015.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

NOTE: The Appendices to the attached report are restricted because they contain commercially confidential business

Exempt from the Press and Public
Yes. That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the Council).

Title: Internal Audit Progress Report for the Three Months Ending 30 June 2016

1. Recommendations

The Audit Committee is asked to:

i) Note the Internal Audit work undertaken during the three months ending 30 June 2016 and the key issues that have arisen from it.
ii) Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of the performance.
iii) Note the independent assurance provided by Veritau Ltd on the report.

2. Background

2.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards. This was received by the Audit Committee at its meeting on 27 April 2016. The Plan is regularly reviewed and monitored during the year so that it provides sufficient coverage of the key risks facing the Council.

2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide our overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

2.3 This is the first of four quarterly progress reports and summarises the main activities of the Internal Audit service for the first three months of 2016/17.

3. Key Issues

3.1 The quarterly progress report is attached at **Appendix 1** and includes the following information:

- The Audit Planning Process
- Audit work, planned and responsive, undertaken during the period
- Management response to audit reports
- Internal Audit performance indicators.

3.2 Headlines from the report include:

- An Internal Audit Plan for 2016/17 was produced in line with the UK Public Sector Internal Audit Standards.
- Internal Audit has delivered 7.5% of the audit plan in the first quarter of the year against an expectation of 12%. Reasons for this are stated in the report.
- Management responses and action plans were in place for all recommendations made by Internal Audit during the period.

3.3 Internal Audit progress reports will be reported to the Audit Committee at each of its meetings during 2016/17. Veritau Ltd has been asked to review and provide independent comment on the progress reports. Veritau Ltd reviewed a draft progress report and selected supporting information, made some helpful suggestions / comments that have been reflected in this final report, and concluded:

"The overall picture of internal audit activity for the first quarter, as set out in the monitoring report is a reasonable reflection of the work done".

4. Options considered and recommended proposal

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides a summary of Internal Audit work completed and the key issues arising from it for the three months ending 30 June 2016 and information about the performance of the Internal Audit function during this period.

5. Consultation

5.1 All Internal Audit reports referred to in this report have been discussed and agreed with management in the respective service areas.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its July 2016 meeting.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Corporate Services Directorate.

8. Legal Implications

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

> *"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."*

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

> *"each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"*

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from this report. However, it should be noted that during the period the Internal Audit structure has been reviewed and, going forward, a new Head of Internal Audit will be recruited who will report directly to the Strategic Director Finance and Customer Services.

10. Implications for Children and Young People and Vulnerable Adults

10.1 This document constitutes a report of progress against delivery of the Internal Audit Plan 2016/17. A significant proportion of the Plan is one again devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

11. Equalities and Human Rights Implications

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
Internal Audit may not deliver sufficient audit work to enable an opinion to be provided on the Council's control environment.	Medium	High	A recruitment process is underway to fill current vacant posts. Any need for temporary additional resources will be considered by the Strategic Director Finance and Customer Services on an ongoing basis. Additional resources will be provided where necessary.
Audit recommendations may not be implemented, leaving the Council exposed to risk.	Low	High	Internal Audit has an established process for the follow up of implementation of agreed audit recommendations. This includes escalation to the appropriate Assistant Director and Strategic Director in cases of non-compliance. Any cases of non-compliance will also be reported to DLT / SLT and Audit Committee in future reports.

14. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT.

Appendix 1:

Finance and Customer Services Directorate

Internal Audit Progress Report for the Three Months Ending 30 June 2016

1. Purpose of the Report

1.1 To provide a summary of Internal Audit work completed and the key issues arising from it for the three months ending 30 June 2016.

1.2 To provide information regarding the performance of the Internal Audit function during the period.

2. Introduction

2.1 Internal Audit produced a risk based Annual Internal Audit Plan in accordance with the UK Public Sector Internal Audit Standards (UKPSIAS). This was received by the Audit Committee at its meeting on 27 April 2016. The plan is regularly monitored and reviewed during the year so that it provides sufficient coverage of the key risks facing the Council.

2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide our overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

2.3 This report summarises the main activities of the Internal Audit service for the first three months of 2016/17. The report is presented to the Audit Committee to enable the Committee to fulfil its responsibility for overseeing the work of Internal Audit.

3. Legislation Surrounding Internal Audit

3.1 The provision of Internal Audit is a statutory requirement for all local authorities that for the period under consideration is set out in the Accounts and Audit (England) Regulations 2015. These state:

> *"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."*

3.2 Internal Audit also has an important role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are that:

> *"each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".*

3.3 In order to deliver its functions as determined by statute and professional standards, Internal Audit has unrestricted coverage and access to all employees, records and assets of the Council. Additionally, it has unrestricted access to, and the freedom to report to, the Commissioners appointed by the Government, The Chief Executive; Head of Paid Service, the Responsible Financial Officer, the Monitoring Officer and the Audit Committee as per the requirements set out in the Internal Audit Charter.

4. Audit Planning Process

4.1 The 2016/17 Audit Plan was produced in line with the UK Public Sector Internal Audit Standards and examined the whole audit universe, taking into account of the following:

- Analysis of the Council's risk registers
- Examination of revenue and capital budgets
- Cumulative audit knowledge and experience of previous work undertaken
- Review of both Corporate Improvement and Service Plan objectives and priorities
- Discussions with Strategic Directors and Directors
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error.

4.2 The 2016/17 Audit Plan was approved by Audit Committee on 27 April 2016.

5. Factors affecting audit work completion in Quarter 1

5.1 The service is facing a very significant transition period involving a restructure, a further reduction in resources available to the team to 7fte for 2016/17 (from 9fte in 2015/16), 2 vacancies – reducing the current resource level to 5 fte, and a current vacancy for a Head of Internal Audit. All of these have negatively impacted upon the resource available to progress the audit programme during quarter 1. See Also 10.2.

5.2 Various other factors have impacted on the delivery of planned audit work, including:

- Work and time required to progress actions in the PWC Review of Internal Audit Action Plan.
- Implementation of and the Assessment of compliance with the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) Action Plan.
- Devotion of resources into ensuring progress on the delivery of recommendations contained in the Anti-Fraud and Corruption Action Plan.
- Significant resources have been expended at the request of the Chief Executive on responsive work resulting from the information security incident at Wath Town Hall and the subsequent action plan resulting from this. This is detailed further at **Appendix B.**

5.3 The Strategic Director of Finance and Customer Services and Assistant Director Audit, ICT and Procurement are managing the change and have put in place various actions to ensure the delivery of the audit and improvement plans, including:

- Appointing a support partner (Veritau)
- Commencing a recruitment process for a Head of Internal Audit
- Confirming a short term contract for a temporary auditor
- Pursuing other resource options including discussions with neighbouring authorities with regard to temporary support and the potential appointment of temporary audit staff.

These actions will ensure the delivery of the audit plan is at the expected level within 3 months.

6. Audit Work Undertaken During the Period

6.1 Internal Audit provides an 'opinion' on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall opinion on the Council's control environment. An 'inadequate' opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified in the area.

6.2. Summary conclusions for audit work concluded during the three months ending 30 June 2016 are set out in **Appendix A**.

6.4 In addition to our assurance work, we also carry out requests for responsive work, together with investigations of any allegations of fraud, corruption or other irregularity. Details of significant responsive work carried out in the period are set out in **Appendix B**. Various items are included relating to information governance and these arose following the discovery of weaknesses found during one audit. One 'inadequate' audit opinion was given following this proactive programme of work, details of which are included in Appendix B.

7. Management Response to Audit Reports

7.1 Following the completion of audit work, draft reports are sent to the responsible managers to obtain their agreement to the report and commitment to the implementation of recommendations. This results in the production of agreed action plans, containing details of implementation dates and the officers responsible for delivery.

7.2 An Action Plan has been agreed in respect of each final audit report issued. See **Appendix A** for further details.

7.3 Confirmation of implementation of audit recommendations is sought from service managers in most cases two months after actions have been agreed. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow work is undertaken. As the audit reports referred to in this update have been issued within the last two months, we cannot comment on the current status of the actions. Details on the implementation of audit recommendations will be included in the second quarter update report.

7.4 We have also introduced procedures to report any lack of progress in implementing recommendations to Directorate and Strategic Leadership Teams, and the Audit Committee.

8. Assessment of the Control Environment for Quarter to 30 June 2016.

8.1 We do not provide an overall opinion on the Council's control environment at the first quarter stage due to the limited number of audits that have been undertaken. We will provide our overall opinion at the half year stage and at the end of the year in the Annual Internal Audit Report.

9. Work for Outside Bodies

9.1 During the period Internal Audit provided audit services on a fee earning basis to six academies. Since academies are separate legal entities to the Council, this work does not have any impact on our overall opinion of the Council's control environment.

10. Internal Audit Performance Indicators

10.1 Our performance against a number of indicators is summarised below:

Performance Indicator	2016/17 Target	Apr to Jun 2016
Draft reports issued within 15 working days of field work being completed.	95%	91%
Percentage of 3 star (fundamental control weakness) recommendations agreed.	100%	100%
Chargeable Time / Gross Time.	72%	74%
Audits completed within planned time.	95%	100%
Percentage of Audit Plan completed (target at June 2016).	12%	7.5%
Cost per Chargeable Day.	£295	£310
Client Satisfaction Survey.	100%	None received

10.2 This year, as with previous years, the audit plan target runs from May (2016) to April (2017). This was historically based upon the service carrying out year-end tests on financial systems in March / April each year, in part to provide support to the external auditor's work on the statement of accounts. However, as the external auditor's approach has evolved over time, it has become no longer crucial for Internal Audit to carry out the work at / slightly after the financial year end. It is, therefore, planned to revert to a traditional April to March audit year from 2017. Appropriate resources will be sought to ensure sufficient work is brought forward to complete the audit programme earlier than originally planned.

10.3 The expected % audit plan completion delivery profile, and actual performance to date / *current full year projection,* are as follows for 2016/17:

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Expected	6	12	18	26	36	46	56	64	74	84	92	100
Actual / *Projected*	3	7.5	*16*	*24*	*35*	*46*	*58*	*66*	*78*	*90*	*100*	--

Actual performance to date in relation to the indicator (7.5% at 30 June 2016) has been skewed by the factors outlined within Section 5.

10.3 We are currently using additional temporary resources to help with delivery of the plan which will improve overall performance. Through the use of a risk based approach to our work and careful use of our resources through performance management, we expect to be able to form an opinion on the Council's control environment at year end.

Agenda Item 13

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report:
Audit Committee

Title:
KPMG Risk Register Analysis

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report:
Shokat Lal (*Assistant Chief Executive)*

Report Author(s):
Simon Dennis *(Interim Corporate Risk Manager)*

Ward(s) Affected:
None

Executive Summary:
The Council's auditors, KPMG, have produced a comparison of risk management arrangements and risks across all of their local government clients. This report draws member's attention to the contents of the KPMG document and compares Rotherham's arrangements and risks to its findings.

The report demonstrates that the Council's Risk Registers and Risk Management processes are in line with the processes and risks in place at a majority of other local authorities. Where differences have been identified, they will be considered in the course of the revision of the Risk Strategy and Policy which is taking place over the summer.

Recommendations:

- **The Audit Committee is asked to consider and note the attached KPMG Local Authority Corporate Risk Register Analysis Report**

List of Appendices Included:
KPMG Local Authority Corporate Risk Register Analysis.

Background Papers:
Report to Audit Committee; 17 September 2014, KPMG Comparison of Corporate Risks

Report to Audit Committee; Strategic Risk Register (restricted), 27 April 2016

Consideration by any other Council Committee, Scrutiny or Advisory Panel:
None.

Council Approval Required:
No

Exempt from the Press and Public:

No

Title:
Strategic Risk Register

1. Recommendation

- **The Audit Committee is asked to consider and note the attached KPMG Local Authority Corporate Risk Register Analysis Report**

2. Background

2.1 KPMG periodically produce a comparison of Risk Registers across their local authority clients. We have received the most recent version of this report and it is attached as an appendix.

2.2 The report provides the Committee with important comparative information on the content of other local authority's risk registers and, provides some external assurance that Rotherham Council's Risk Registers include the risks that are relevant to the Council's operations.

3. Key Issues

Specific Risks

3.1 KPMG's report highlights the following eight risks as the most frequently occurring on Local Authority risk registers:

- Delivering the financial plan;
- Business Continuity/Disaster Recovery/Emergency Planning;
- Data loss/Information Security/Information Governance;
- Staff Morale;
- Safeguarding vulnerable children and adults;
- Delivering major projects;
- Asset Management;
- Planning and Development;

KPMG conclude that each of the above risks appear on the Strategic Risk Register in one form or another.

3.2 The following table sets out where the individual risks are captured in the Council's Risk Registers and provides a short commentary where they do not clearly appear on the Strategic Risk Register:

KPMG Identified Risk	Comments
Delivering the financial plan	Included within Strategic Risk Register as risk S16.
Business Continuity/Disaster Recovery/Emergency Planning	Included within Strategic Risk Register as risk S19.
Data loss/ Information Security/Information Governance	Risk does not appear on the Strategic Risk Register. However, data security appears on the Finance and Customer Services Register as FCS4 and also on the CIDS Risk Register. It is not considered appropriate to include this as a strategic risk at this point.
Staff Morale	This is implicitly included in Strategic Risk S15 but is not explicitly included in any risk register. We will consider the potential for inclusion in either the Strategic Risk Register or the Assistant Chief Executive's Risk Register following the results of the Pulse Survey.
Safeguarding vulnerable children and adults	Appears within Strategic Risk Register as risk S01.
Delivering Major Projects	Risks associated with major projects are assessed as part of the management of the projects. Specific large scale projects – such as the Implementation Plan and delivery of the Rotherham Show – appear on the Strategic Risk Register when considered to be significant.
Asset Management	Appears within Strategic Risk Register in part as risk S27 and additionally as Risk 67 in Planning, Regeneration and Transport Risk Register.
Planning and Development	Appears within Strategic Risk Register as S10 and additionally captured in the Planning Regeneration and Transport Risk Register at Risks 43 to 52.

3.3 Whilst not all of the risks identified by KPMG appear explicitly on the Strategic Risk Register, it should be noted that only the first two risks (Financial Plan and Business Continuity) appear on the majority of Local Authority risk registers. In every other case the risks appear on less than a third of risk registers. Where the risk does not currently appear on Rotherham's Strategic Risk Register, an equivalent risk does appear in the relevant Directorate or Service Risk Register as appropriate.

Risk Register Reporting and Responsibilities

3.4 KPMG's report also sets out the key characteristics of their client's risk management systems. The following table sets out the characteristics identified and compares it to Rotherham's current system:

Characteristic	% of authorities with characteristic	Rotherham System
Risk scored on impact and probability	> 90%	Included
Risk allocated to lead officer	> 90%	Included
Mitigating controls in place	90%	Included
Register identifies movement of risk	> 50%	Not currently included
Clarity on when specific risks will be reviewed	> 40%	Included
Risks allocated to leading members	> 10%	Not currently included

3.5 Whilst the Risk Register process includes the majority of the characteristics that KPMG had identified in their survey, the Register does not currently include an indication of the movement of the risk. We will consider the potential for including such an indicator when we review the Risk Management Policy and Strategic over the summer.

Risk Management Software

3.6 Nearly 75% of all Councils do not use specific Risk Management software. Since the JCAD system was decommissioned as part of the Improvement Plan, Rotherham has used a combination of Excel Spreadsheets and SharePoint to record its risks. Recommissioning of a bespoke system in the future is a possibility, but the focus for the time being is on ensuring that Risk Management processes are embedded across the Council.

Board Assurance Frameworks

3.7 The final section of KPMG's report identifies that Board Assurance Frameworks and Mapping are becoming common in the Public Sector, but have not yet been adopted on a wide scale by Local Authorities. The Risk Management system at Rotherham does link to the Council's Strategic Objectives, but the risk registers do not currently record assurances and control effectiveness.

3.8 The scope for inclusion of a wider assurance framework within Risk Management will be considered in the course of the review of the Risk Management Policy and Strategy over the summer.

4. Options considered and recommended proposal

4.1 Not applicable.

5. Consultation

5.1 Not applicable.

6. Timetable and Accountability for Implementing this Decision

6.1 Not applicable.

7. Financial and Procurement Implications

7.1 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 are reported to Strategic Leadership Team, Commissioners and elected Members for consideration.

8. Legal Implications

8.1 There are no direct legal implications arising from this risk register comparison. Any actions taken by the Council in response to risks identified will take into account any specific legal implications.

9. Human Resources Implications

9.1 There are no Human Resources implications associated with the proposals.

10. Implications for Children and Young People and Vulnerable Adults

10.1 None..

11. Equalities and Human Rights Implications

11.1 None.

12. Implications for Partners and Other Directorates

12.1 None.

13. Risks and Mitigation

13.1 It is important to review the effectiveness of our approach to capturing, managing and reporting risks on an ongoing basis. SLT will review and update the risk register on a six-weekly basis, to ensure risks relating to the Council's key priorities are able to be effectively monitored and managed by SLT, Commissioners and elected Members. The risk register and accompanying action plans show the risk management arrangements in place for mitigating risks.

14. Accountable Officer(s):

Simon Dennis (Interim Corporate Risk Manager)

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Assistant Director of Legal Services: Dermot Pearson

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Local Authority Corporate Risk Register Analysis

District Councils
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 Corporate/Strategic risk register analysis. The exercise compared the corporate risk registers from a range of local authorities covering:

- Single Tier Councils;
- County Councils;
- District Councils;
- Fire and Rescue Services; and
- Police bodies.

The outcome highlights the most frequently featured risks across local authority risk registers and changes from 2014 when a similar exercise was carried out.

We also considered the arrangements in place to maintain and review risk registers at the local authorities and fire and police bodies.

Finally, we considered the degree to which risk registers are used as an integrated management and assurance tool, which is especially important given other parts of the Public Sector are increasingly using tools such as Board Assurance Frameworks and Assurance Mapping.

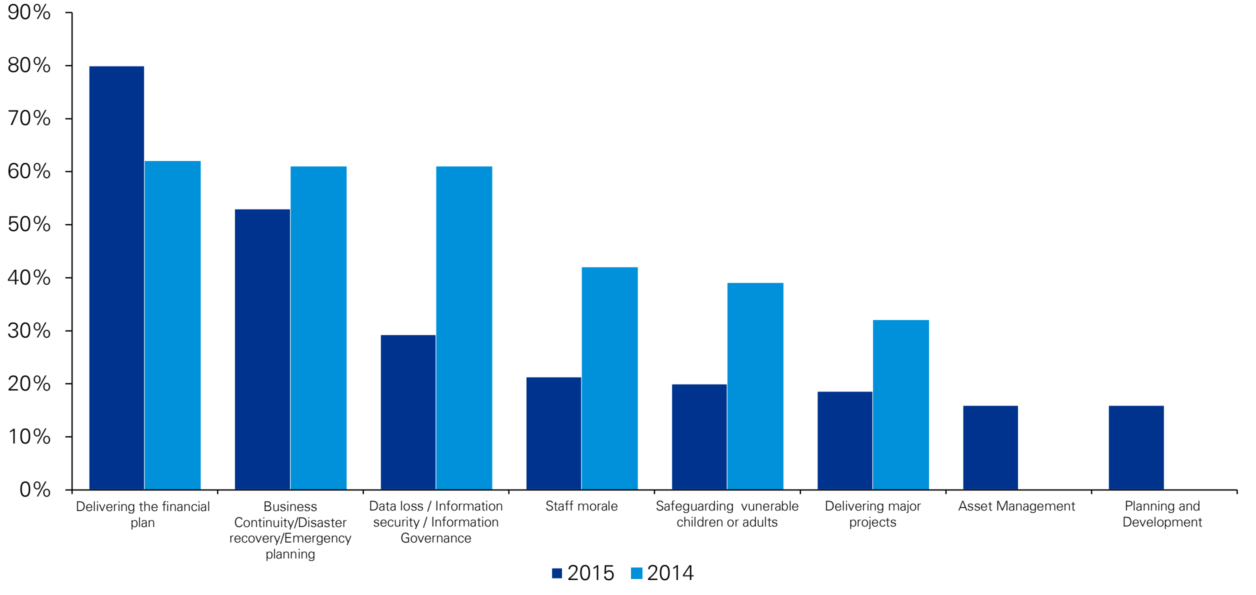
Purpose

Organisations should use the comparative information to help consider:

- Whether there are potential risks that may have been omitted from their own risk register;
- Whether potential risks are given sufficient priority;
- The mechanics of the risk management process at their organisations; and
- How managing risks and providing assurance can be developed further.

Local authority corporate risk register analysis (cont.)

Most frequently featured risks across all authority types



The top three residual risks occurring most frequently are:

— Delivering the medium term financial plan/saving targets/delivering funding cuts;

— Business continuity/disaster recovery incidents/emergency planning; and

— Data loss/information security/information governance risks.

A much higher number of bodies (80% compared to 62% in 2014) identified ***Delivering the medium term financial plan/saving targets/delivering funding cuts*** as a risk, although this is still not as high as might be expected given the significant reduction in grants seen in recent years and on-going financial pressures.

Risks in relation to ***Business continuity and disaster recovery*** were identified in 53% of risk registers (compared to 61% in 2014) and ***Data loss/information security and information governance*** were identified in 29% of risk registers (compared to 61% in 2014). So whilst these risks remain high in terms of frequently occurring risks – It is noticeable that both risks occur less often than in prior years. This fall is a surprise but may be as a result of investments in arrangements reducing the residual risks across the sector.

The risk that no longer features in the above analysis is ***Partnership arrangements/governance***, which is surprising given the emergence and growth of initiatives such as the Better Care Fund.

Compared to the same analysis last year, the following risks are new for 2015:

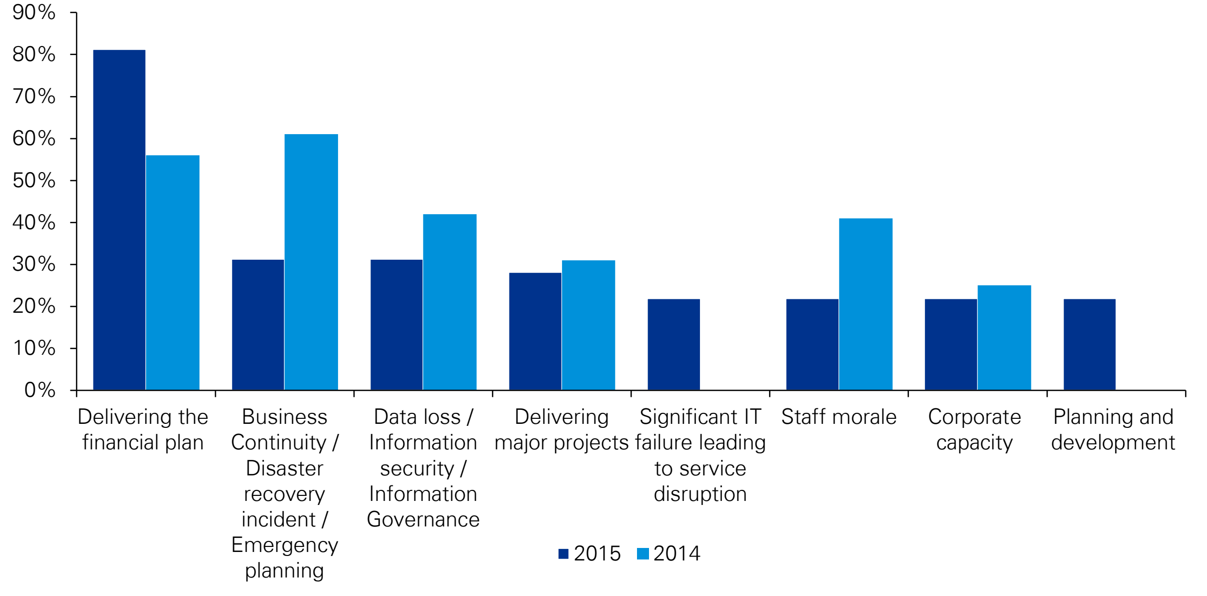
— Asset management; and

— Planning and development issues.

Local authority corporate risk register analysis (cont.)

Most frequently featured risks across district councils

The chart below shows the eight most frequently identified risks at district councils included in the exercise.



The three most common risks for district councils are the same as the all authority type analysis with ***delivery of the Medium Term Financial Plan*** again the highest risk.

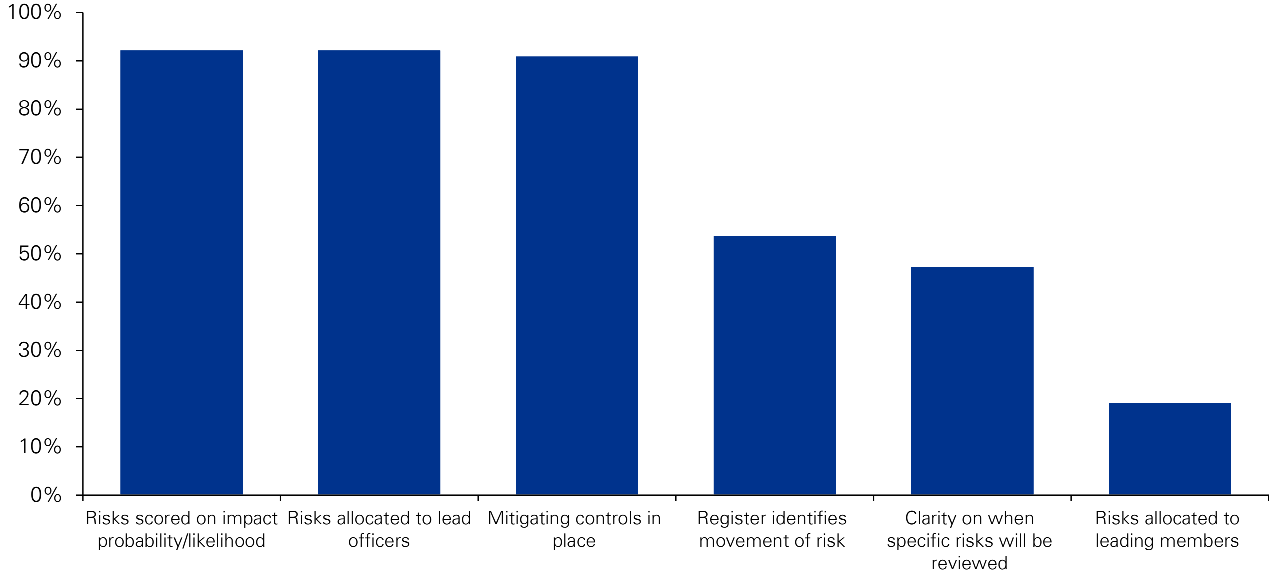
We note we see more risks in relation to ***Significant IT Failures,*** (21% of districts) and ***Planning and development*** compared to 2014, however ***Delivery of major projects, Staff morale and Corporate capacity*** remain significant residual risks throughout local government. ***Partnership governance*** and ***Welfare reform***, which were seen in 60% and 38% of registers respectively in the 2014 analysis, do not feature in the top eight risks, suggesting mitigating control arrangements are better developed.

Human resources issues in relation to staff morale and corporate capacity also feature in the most frequent risks in district councils. Linked to corporate capacity is also the ability to deliver major projects which again features in the assessment above.

Rotherham Council's strategic risk register incorporates all of these risks in one form or another. The Council has scored 'Delivery of critical Council services within resources available in the medium term (MTFS)' as a 20. The Council's highest scoring risks are under the heading of 'Every child making the best start in life' which reflects the specific issues experienced by the Council in recent years.

Local authority corporate risk register analysis (cont.)

Survey Responses on Risk Register Reporting and Responsibilities



The chart above analyses the risk registers reviewed across all authorities. As expected, a high level of registers score risks on impact, probability and the controls in place and risks are allocated to lead officers.

However, less risk registers clarify when a risk is to be reviewed, which could result in the risk not being dealt with appropriately and provides less assurance. Further to this, risks do not appear to be regularly/widely allocated to lead members, which could reduce the scrutiny of these risks.

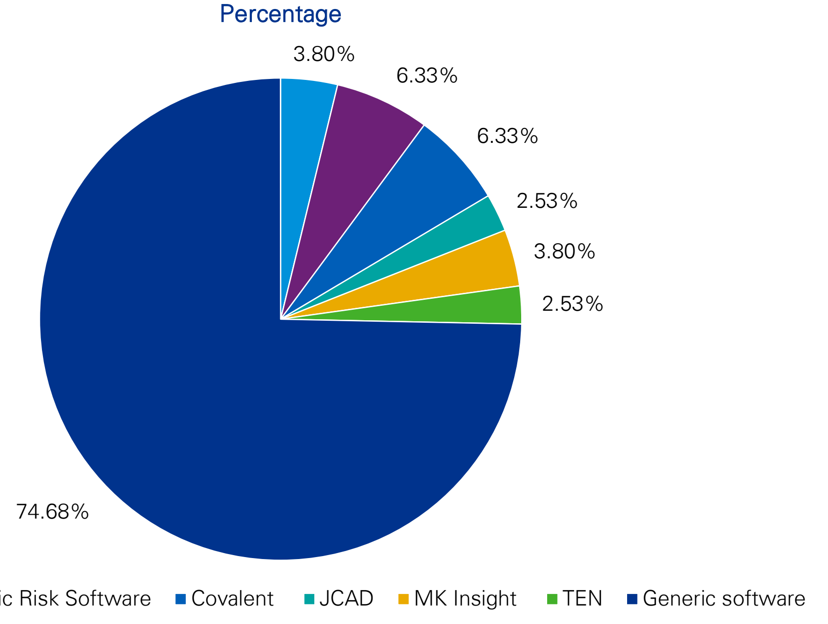
Rotherham Council is currently in the process of overhauling it's risk management processes. The strategic risk register currently scores risks on impact and probability considering the existing controls/actions that are in place and then also provides a target score following further management action and implementation of controls. There is an assigned risk owner who is the officer responsible for managing risk and controls) and a risk review date. The majority of the risk owners are at Director level.

Local authority corporate risk register analysis (cont.)

Software used to support risk management

The chart below shows that 75% of authorities do not use specific risk management software, often preferring to use spreadsheet systems to record the risks. These systems are potentially less robust compared to specific software. Of the authorities that do use specific software, the most commonly used packages are Covalent, 4risk and MK Insight.

Until recently, the Council made use of the on-line JCAD Risk Software to manage their risks. This software has now been overtaken by a new spreadsheet and scoring system.



Moving forward

It is noted that in the wider Public Sector many bodies are now using Board Assurance Frameworks/Assurance Mapping. Assurance mapping is the process where risk reports set out the controls and assurances in place to confirm that risks are being addressed. Setting out the assurances can give lead Officers and Members confirmation that assurance is in place and that the quality of the assurance is sufficient against the risk.

Our work has identified limited use of such tools in the local authority sector.

Our comparison exercise identified that:

— Risks were linked to strategic objectives in 57% of reports;

— Assurances were reported in 53% of the reports; and

— Effectiveness of controls were reported in 49% of the reports.

These are important elements of assurance mapping processes and our work suggests there is significant scope for local authorities to develop in this area.

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