AUDIT COMMITTEE

Date:- **Wednesday, 19 July 2017** **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 19th April, 2017 (herewith) (Pages 1 - 10)

5. Draft Statement of Accounts (Pages 11 - 159)

6. Annual Governance Statement 2016-17 (Pages 160 - 185)

7. External Audit 201617 - Interim Audit Report (Pages 186 - 206)

8. Annual Treasury Management Report and Actual Prudential Indicators 2016/17 (Pages 207 - 221)

9. Internal Audit Quality Assurance Improvement Programme (Pages 222 - 239)

10. Audit Committee Prospectus and Forward Work Programme (Pages 240 - 249)

11. Items for Referral for Scrutiny

12. Exclusion of the Press and Public
    That under Section 100(A) 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 involve 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).

13. Processes in place in respect of the Salary Payment

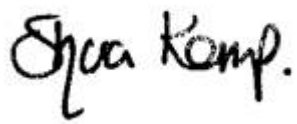
14. Strategic Risk Register (Pages 250 - 261)

15. Risk Register - Regeneration and Environment (Pages 262 - 276)

16. Internal Audit Annual Report (Pages 277 - 297)

17. Internal Audit Progress Report for the period mid-March 2017 to 31st May 2017 (Pages 298 - 324)

18. Date of Next Meeting
Wednesday, 20th September, 2017 at 4.00 p.m.



S. KEMP,
Director of Legal and Democratic Services.

2017/18 Membership
Councillor Wyatt – Chairman
Councillor Walsh – Vice-Chairman
Councillors Cowles, Evans and Sansome
Mr. B. Coleman, Independent Person

AUDIT COMMITTEE
19th April, 2017

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Ellis, Bernard Coleman, Allen and Walsh.

Also in attendance: Mr. T. Cutler and Mrs. A. Warner (KPMG).

Councillor Alam, Cabinet Member, Corporate Services and Finance, was in attendance for Minute No. 68 (Finance and Customer Services Risk Register).

55. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

56. MINUTES OF THE PREVIOUS MEETING HELD ON 8TH FEBRUARY, 2017

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 8th February, 2017. The Committee noted that:-

(a) (Minute No. 43 – Audit Committee Self-Assessment) – a document is to be distributed to all Members prior to the next meeting, detailing the strengths and weaknesses of the Committee; the document will be considered at the Committee's next meeting in July 2017;

(b) (Minute No. 47 – Local Code of Corporate Governance) - preparatory work has begun on the Annual Governance Statement, although the Governance Group has not yet had its first meeting;

(c) (Minute No. 50 – Procurement and Appointment of External Auditors – 2018/19 Onwards) – the recommendation within this Minute had been approved by the Council at its meeting held on 8th March, 2017 (Minute No. 140 refers);

(d) (Minute No. 52 – Risk Register Deep Dive – Assistant Chief Executive) – Members of the Committee requested the provision of a briefing note setting out the proposed work plan and agenda items for Committee meetings, for the forthcoming 2017/2018 Municipal Year. The Head of Internal Audit agreed to provide a Forward Work Plan to each committee meeting.

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

57. EXTERNAL AUDIT AND INSPECTION RECOMMENDATIONS

Further to Minute No. 37 of the meeting of the Audit Committee held on 23rd November, 2016, consideration was given to a report, presented by the Head of Service (Performance and Planning), Children and Young People's Services, stating that, in accordance with the Council's "fresh start" improvement plan (Minute No. 8 of the Council meeting held on 22nd May, 2015, refers), progress continued to be made against the recommendations from all of the key external audits and inspections. The report included detail of progress being made in respect of the following specific areas and Directorates:-

: the "Fresh Start" Improvement Plan;
: Adult Care and Housing;
: Children and Young People's Improvement Plan;
: Rotherham Residential Children's Units;
: Regeneration and Environment Services;
: Finance and Corporate Services.

The summary of recommendations from "Active" Inspection and Audit Action Plans was appended to the submitted report.

The Audit Committee's discussion of this matter highlighted the following salient issues:-

(i) implementation of the Council's Corporate Plan 2016/17;

(ii) further monitoring visits of Children and Young People's Services by the Office for Standards in Education (Ofsted) in early May 2017 around Care Leavers and a full four week re-inspection will take place later in 2017 or early 2018

(iii) the audit of the Council's accounts for the 2016/17 financial year will begin during July, 2017;

(iv) consideration of the contents of the post-inspection letters received after the Ofsted monitoring visits of Children and Young People's Services (October, 2016 and February, 2017); both letters were appended to the submitted report;

(v) ensuring that the senior management of the Council (the vast majority of whom are recent or fairly recent appointments) receive a sufficient amount of induction training in respect of the challenges facing the Council as part of the improvement process;

(vi) progress with the implementation of Phase Two of the Government-appointed Commissioners' action plan and the transfer of uncompleted elements of Phase One into Phase Two; the Joint Board of the four Commissioners and Elected Members (Leader, Deputy Leader, Leader of the Opposition and Lead Cabinet Member) meet and review the Phase

Two progress; it was also noted that ensuring compliance with the action plan was a priority of the Council's Senior Leadership Team;

(vii) arrangements for the annual health assessments and dental checks for the Children Looked After by the Local Authority have improved.

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

(2) That the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee shall continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

(4) That a further progress report on these matters be submitted to a meeting of the Audit Committee to be held during November, 2017.

58. INSPECTION BY THE OFFICE OF THE SURVEILLANCE COMMISSIONERS

Further to Minute No. 32 of the meeting of the Audit Committee held on 23rd November, 2016, consideration was given to a report, presented by the Assistant Director of Legal Services, stating that on 11th January, 2017, the Council had been inspected by His Honour Norman Jones QC, an Assistant Surveillance Commissioner in respect of the Council's arrangements to secure compliance with the statutory provisions which govern the use of covert surveillance. Included as an appendix to the submitted report was a copy of His Honour's Inspection Report as well as a covering letter from the Chief Surveillance Commissioner. The documents contained the main findings of the Inspection Report and how His Honour's recommendations will be implemented by the Council.

Members were informed that:-

(i) His Honour's Inspection Report was a very positive one;

(ii) a briefing will be presented to a future meeting of the M3 Managers' group, which will ensure that managers understand the risk of conducting unauthorised covert surveillance;

(iii) arrangements are being made for a cost-effective training programme for officers to act as controllers and handlers of Covert Human Intelligence Sources; and

(iv) the Council is required to amend its RIPA (Regulation of Investigatory Powers Act 2016) Policy in order to comply with the recommendations within His Honour's Inspection Report.

Reference was made to the Council's use of overt camera surveillance (requiring the use of public information notices) and also to the Council's Licensing Policy in respect of the use of cameras within licensed hackney carriages and private hire vehicles.

The Committee placed on record its thanks to the Council officers who had been involved in His Honour's inspection process.

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

(2) That the Inspection Report by His Honour Norman Jones QC of the Council's arrangements to secure compliance with the statutory provisions which govern the use of covert surveillance, as now submitted, be received and its contents noted.

(3) That the necessary action to be taken to implement the findings and recommendations of His Honour's Inspection Report be approved.

(4) That the required amendment to the Council's Regulation of Investigatory Powers Act (RIPA) Policy, as set out in paragraphs 26 and 27 of His Honour's Inspection Report, be approved.

(5) That a seminar be arranged for all Members of the Council in respect of the Council's Regulation of Investigatory Powers Act (RIPA) Policy and the use of covert surveillance cameras.

59. CLOSURE OF THE ACCOUNTS 2016/17

Consideration was given to a report, presented by the Assistant Director of Financial Services, stating that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts. The submitted report explained the main changes to the local authority accounting framework in 2016/17, including their effect on the Council's accounting policies.

Members noted that the report also highlighted the steps being taken to prepare for the faster closure of the accounts, necessary to meet the tighter reporting timetable which are coming into effect from 2017/18 (unaudited financial statements to be published by 31st May and audited financial statements to be published by 31st July).

The following information was included in the appendices to the submitted report:-

– Key accounting issues and changes to the accounts in 2016/17;
– Changes to the Council's accounting policies.

Members discussed issues concerning (i) the imminent triennial revaluation of the Local Government Pension Scheme; and (ii) confirmation that the Highways Infrastructure Assets will continue to be stated in the balance sheet on the existing basis.

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

(2) That the key accounting issues and main changes to the accounts in 2016/17, as contained in Appendix A to the report now submitted, be noted.

(3) That the changes to the Council's accounting policies that have been made as a result of changes to the local authority accounting framework, as contained in Appendix B to the report now submitted, be noted.

60. KPMG ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

Further to Minute No. 51 of the meeting of the Audit Committee held on 10th February, 2016, consideration was given to a report, presented by the Assistant Director of Financial Services and by Mrs. A. Warner (KPMG), concerning the annual feedback, provided by external auditor KPMG, on the effectiveness of the Council's arrangements for preparing and submitting Government grant claims and returns.

The external auditor's report summarised KPMG's key findings from the certification work carried out in 2015/16. The Committee was informed that KPMG were required to audit three claims and returns in 2015/16. Two claims were unqualified and minor errors were found in relation to the third, the Housing Benefit Subsidy claim. The minor errors identified did not impact on the amount of grant claimed. These findings demonstrated that the Council continued to have good arrangements in place to support the preparation and submission of grants and returns. There were no additional recommendations required as a consequence of the feedback provided by KPMG.

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

61. EXTERNAL AUDIT PLAN 2016/17

Further to Minute No. 7 of the meeting of the Audit Committee held on 20th July, 2016, consideration was given to a report, presented by Mr. T. Cutler (KPMG), describing the KPMG External Audit Plan in respect of the 2016/17 financial year.

The report stated that, as 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.

The External Audit Plan document was included as an appendix to the submitted report and set out the audit approach that KPMG were planning to take to discharge these duties.

The main proposed areas identified audit were:-

: Financial statements and audit planning (risk assessment; determination of materiality level; issuing of audit plan to communicate with audit strategy);

: Risk assessment (management override of controls; fraudulent revenue recognition);

: Significant Audit Risks (Local Government Pension Scheme Triennial Valuation; Waste Management PFI Valuation; Changes in Finance Team staff);

: Disclosures associated with retrospective restatement of the Comprehensive Income and Expenditure Statement (CIES), the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MiRS).

The External Audit Plan set out the risks which KPMG have identified as requiring special audit attention, which may prevent them from being able to reach a positive Value For Money conclusion, namely:

- The extent to which Governance arrangements have improved since the Corporate Governance report was issued in February 2015, and
- The Council's financial resilience in the face of having to make substantial savings over the next three years.

Members were informed that KPMG would report their Value For Money Conclusion findings in the ISA 260 report to be submitted to a meeting of the Audit Committee during September, 2017.

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

(2) That KPMG's External Audit Plan for the 2016/2017 financial year, as now submitted, be approved and the proposed areas of audit identified be noted.

62. INTERNAL AUDIT STRATEGIC PLAN 2017/18 TO 2019/20

Further to Minute No. 71 of the meeting of the Audit Committee held on 27th April, 2016, consideration was given to a report, presented by the Head of Internal Audit, concerning the Internal Audit Strategic Plan for the three years' period 2017/2018 to 2019/2020.

The report explained the Internal Audit approach to the development of the Strategic Plan, as well as detailing the specific activities to be reviewed during the three years' period of the Plan. It was noted that the Plan reflected a comprehensive risk assessment process, which also included discussions with the Council's Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

The Committee discussed the following salient issues:-

: the staffing resources of the Internal Audit Section;

: other issues arising, during the period of the Strategic Plan, which might require audit and have a consequent effect upon progress with the Strategic Plan;

: the conversion of schools to academies; staffing and pensions issues;

: auditing of Local Authority maintained schools; the use of Control and Risk Self-Assessment questionnaires to obtain specific information about schools;

: routine reporting to the Audit Committee about the list of audit reviews being undertaken and the progress of those reviews and their impact upon the Internal Audit Strategic Plan (this matter would also be considered at the forthcoming work-plan meeting of the Overview and Scrutiny Management Board, to be held on Friday, 21st April, 2017);

: the Audit Committee noted the role of the Cabinet in monitoring the progress of Service Area reviews.

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

(2) That the Internal Audit Strategic Plan for the three years' period 2017/2018 to 2019/2020, as now submitted, be approved.

(3) That reports about the progress of the implementation of the Internal Audit Strategic Plan 2017/2018 to 2019/2020 be submitted to meetings of the Audit Committee at regular intervals.

63. AUDIT COMMITTEE PROSPECTUS 2017/18

With reference to Minute No. 43 of the previous meeting of the Audit Committee held on 8th February, 2017 (Audit Committee Self-Assessment), it was agreed that consideration of this item be deferred until the next meeting of the Committee to be held during July, 2017.

64. ANNUAL GOVERNANCE STATEMENT REVIEW FOR 2016-17

Further to Minute No. 19 of the meeting of the Audit Committee held on 21st September, 2016, consideration was given to a report, presented by the Corporate Risk Manager, concerning the Annual Governance Statement for the 2016/2017 financial year, which the Council is required to produce alongside the financial statements for the year. The report made reference to:-

: the six areas of concern within the Annual Governance Statement for the previous year, 2015/16;

: two matters from the 2014/15 Annual Governance Statement, which were still outstanding on completion of the 2015/16 Statement; and

: the submitted report included a brief summary of the progress being made in respect of the eight matters referred to above.

The Committee also noted that the 2015/16 Annual Governance Statement had mentioned issues relating to the two reports prepared by Professor Alexi Jay and by Dame Louise Casey and that those issues were part of the Council's "fresh start" improvement plan. It was confirmed that the 2016/17 Annual Governance Statement would include full information on the progress of the Council's "fresh start" improvement plan.

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

(2) That the information contained within the submitted report concerning the progress being made in respect of the eight matters of concern from the two previous years' Annual Governance Statements be noted.

(3) That the 2016/17 draft Annual Governance Statement be submitted for consideration at the next meeting of the Audit Committee to be held during July, 2017.

65. ITEMS FOR REFERRAL FOR SCRUTINY

Further to Minute No. 62 above, concerning the Internal Audit Strategic Plan, it was agreed that the routine reporting to the Audit Committee about the list of audit reviews being undertaken and the progress of those reviews and their impact upon the Internal Audit Strategic Plan would also be referred for consideration at the forthcoming work-plan meeting of the Overview and Scrutiny Management Board, to be held on Friday, 21st April, 2017.

66. 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 involve 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).

67. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST JANUARY 2017 TO MID-MARCH 2017

Consideration was given to a report, presented by the Head of Internal Audit, which contained a summary of Internal Audit work completed during the period January, 2017 to mid-March, 2017 and the key issues which had arisen from that work. The report also included information about the performance of the Internal Audit function during the same period.

Performance against key indicators was generally positive, although targets for the time to complete audits and issue draft reports were not achieved. The audit plan had been reviewed and amended at the half-year. It was noted that delivery against the amended audit plan was on schedule. Members were informed that two partial assurance audit opinions had been issued during the period January, 2017 to mid-March, 2017, one for Children's Direct Payments and the other for Adults' Supported Living.

Details of the work undertaken during the stated period in were included in the Appendix to the report submitted.

The Committee discussed the following specific issues:-

(i) the Internal Audit Plan should in future include the date of completion

(ii) the Audit Committee should be formally notified of the reasons for any issue taking longer than twelve months to complete; with an explanation from the appropriate Head of Service as necessary;

(iii) the Assistant Chief Executive shall attend the next meeting of the Audit Committee and explain the processes in place in respect of the salary payment matter now reported.

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

(2) That the Internal Audit work undertaken during the period January, 2017 to mid-March, 2017 and the key issues that had arisen from that work, as now reported, be noted.

(3) That the information contained in the report, regarding the performance of Internal Audit and the actions being taken by management in respect of the performance, be noted.

68. FINANCE & CUSTOMER SERVICES RISK REGISTER

Councillor Alam, Cabinet Member, Corporate Services and Finance, together with Judith Badger, Strategic Director, Finance and Customer Services, presented the Finance and Customer Services Risk Register, in particular highlighting:-

- The way in which the Risk Register was maintained/monitored and the frequency of monitoring;
- Cabinet Member involvement;
- How risks were entered onto and removed from the Risk Register;
- Anti-fraud activity in the Directorate.

Discussion took place on:-

: the insurance risk concerning claims from victims of child sexual exploitation;

: support for the Government-appointed Commissioners to the Council and the implementation of the decision-making protocols.

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

(2) That the progress and current position in relation to risk management activity in the Finance and Customer Services Directorate be noted.

69. DATE OF NEXT MEETING

Resolved:- That the next meeting of the Audit Committee be held at the Town Hall, Rotherham on Wednesday, 19th July, 2017, commencing at 4.00 p.m.

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report
Audit Committee

Title
Draft Statement of Accounts 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 – Strategic Director of Finance & Customer Services

Report Author(s)
Graham Saxton – Assistant Director, Financial Services
Finance & Customer Services Directorate
01709 822034 graham.saxton@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 19th April 2017 brought to Members attention the main changes to local authority financial reporting in 2016/17.

These changes to local authority financial reporting are incorporated within the draft Statement of Accounts for 2016/17 which was published on the Council's website on 30 June 2017 and is available through the following link:

http://www.rotherham.gov.uk/info/200110/council_budgets_and_spending/916/statement_of_accounts

A copy of the draft Statement of Accounts and the accompanying Narrative Report are included as appendices to this report.

The report and appendices provides Members with an opportunity to consider the accounts before Audit Committee is asked to formally approve them, post completion of external audit by KPMG, at its meeting in September.

Recommendation

The Audit Committee is asked to receive the draft 2016/17 Statement of Accounts and Narrative Report

List of Appendices Included
Appendix A – Narrative Report
Appendix B – Highlights Report setting out key matters reported in the 2016/17 accounts
Appendix C – Draft Statement of Accounts 2016/17

Background Papers
CIPFA Code of Practice on Local Authority Accounting 2016/17
Accounts and Audit Regulations 2015
Audit Committee meeting – 19 April 2017

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 draft Statement of Accounts 2016/17

1. Recommendation

The Audit Committee is asked to receive the draft 2016/17 Statement of Accounts and Narrative Report

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 2016/17 draft accounts were published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 30 June 2017. The period for local electors to exercise their rights is therefore now underway ending on 11 August 2017.

2.3 The external audit of the draft 2016/17 commences 19 July 2017. 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 £11 million and triviality threshold of £0.550 million for their audit of the 2016/17 accounts). Audit Committee will then be asked to formally approve the audited accounts for publication having regard to KPMG's findings and 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 Draft accounts – key changes / issues to note

3.1.1 The Council's draft 2016/17 Statement of Accounts as published on the Council's website are attached as Appendix C.

3.1.2 The main changes to the accounts in 2016/17 as highlighted in the report to Audit Committee on 19th April 2017 are:

- Change of the format of the Comprehensive Income & Expenditure Statement
- The introduction of the new Expenditure & Funding Analysis disclosure note
- The change in discount factor used to value council dwellings

3.1.3 The Highlights Report attached at Appendix B summarises the key financial disclosures reported in the 2016/17 draft Statement of Accounts and provides further detail on each of the key financial issues referred to in para 3.1.2.

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 draft 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 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.

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

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 were made to ensure this earlier timetable was 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)

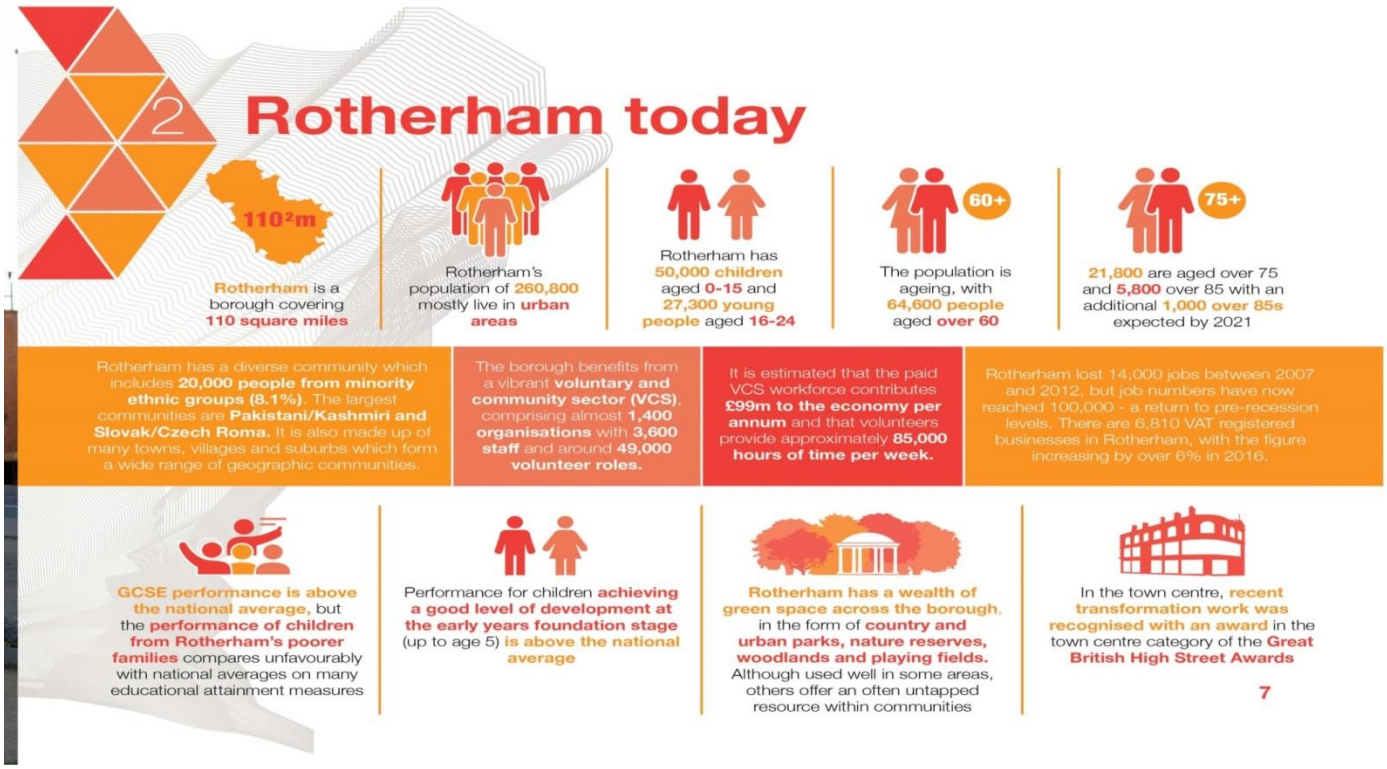
Judith Badger - Strategic Director of Finance & Customer Services)

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 2016/17



Narrative Report 2016/17

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 in the Statement of Accounts, 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 2016/17, 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 turbulent period following the publication in February 2015 of a Corporate Governance Inspection (CGI) report which led to central Government issuing legislative directions to appoint a team of Commissioners to take over all executive decision-making at the Council.

As a result of the continuous improvement made by the Council throughout 2016/17, a majority of the Council's functions have now been handed back. By the end of the financial year only the management of performance, waste and assets, as well as human

resources, community safety, children's safeguarding and all other children's social care services remained the responsibility of Commissioners - all other functions having returned to Council control.

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 260,800 which is also ageing, with almost one in four aged over 60 years. The population has become increasingly diverse, with one person in 12 (8.1% in the 2011 Census) 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. A little over 100,000 jobs are now based in Rotherham and 44,000 people travel to workplaces outside the borough.

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.

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 is despite very positive performance in terms of attainment in Rotherham's schools).

Vision and Priorities

Following a consultation process, the 'Views from Rotherham' consultation report was published in September 2015. This enabled the Council to define a new vision for the Borough:

"*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 support the delivery of this new vision were set out in the 2016/17 Corporate Plan and Performance Management Framework and the Council has monitored its performance against the Plan in the course of the financial year.

Delivering the vision and priorities

Between 2011 and 2016 the Council made savings of £138m and reduced its workforce by 1,700 staff. Over the coming year the Council will continue to focus on reforming its services against the backdrop of making further necessary in-year savings. This is set against the additional financial pressures of the National Living Wage; increasing demand for services as a result of a growing population and changing demographics in Rotherham; and the impact of inflation.

Whilst the Council is becoming smaller in size, it is focused on being bigger in influence. This means a changing role for the Council which involves stronger civic leadership, greater collaboration, integration and shared services with other public services.

A new social contract between residents and the Council that builds on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources must be developed. And it also means a clearer focus and prioritisation of resource – and in some cases stopping doing some of what the Council has traditionally done before.

Each Directorate has developed its own service plans to support delivery of the refreshed Council Plan for 2017/18 as well as the MTFS. A focus on continuous improvement, early intervention, cross-directorate working, implementing good practice and raising standards runs through all these service business plans.

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 Council is one of a number 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 - working together as “The Rotherham Together Partnership” to deliver improvements for local people and communities by combining their knowhow and resources.

The Partnership has launched the Rotherham Plan 2025: a new perspective, which sets out a framework for its collective efforts to create a borough that is better for everyone who wants to live, work, invest or visit here. It sets out some of the big projects, or “game changers”, that partners will be focusing on until 2025:

- **Building strong communities** where everyone feels connected and able to actively participate, benefitting them and their communities
- **Raising skills levels and increasing employment** opportunities**,** removing the barriers to good quality, sustainable employment for local people
- **Integrating health and social care** to deliver joined up services for our residents that are easy to access
- Building on the assets that make Rotherham **a place to be proud of**
- Creating a vibrant **town centre** where people want to visit, shop and socialise

It forms part of a bigger picture which includes a number of partnership boards and less formal bodies that are developing plans and delivering activity in the borough.

The Council’s Performance Management Framework and service plans

The Council’s Performance Management Framework outlines the authority’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 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 for 2016/17 set 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 described what the Council's main outcomes, measures, indicators and targets would be during the year with these further supported by underpinning service plans. The Plan has been monitored through a process of public quarterly reporting to Cabinet, supported by monthly monitoring of indicators by individual service teams. Each Quarter's report highlighted the key areas where services have met or missed performance targets. By the end of the financial year, the performance monitoring process was reporting that over 50% of the targets for which information was available had been hit or exceeded.

The Council has now refreshed the Corporate Plan in the light of its experience over the past twelve months and a three year Council Plan covering the 2017-2020 period has been published that replaces the Corporate Plan. The priorities and themes in the refreshed Plan are unchanged and the quarterly public reporting process is intended to continue throughout the 2017-18 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 2017 and show 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 2016/17 together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy ('CIPFA').

The key sections included in the Statement of Accounts are:

Statement of Responsibilities
This sets out the respective responsibilities of the Council and the Strategic 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.

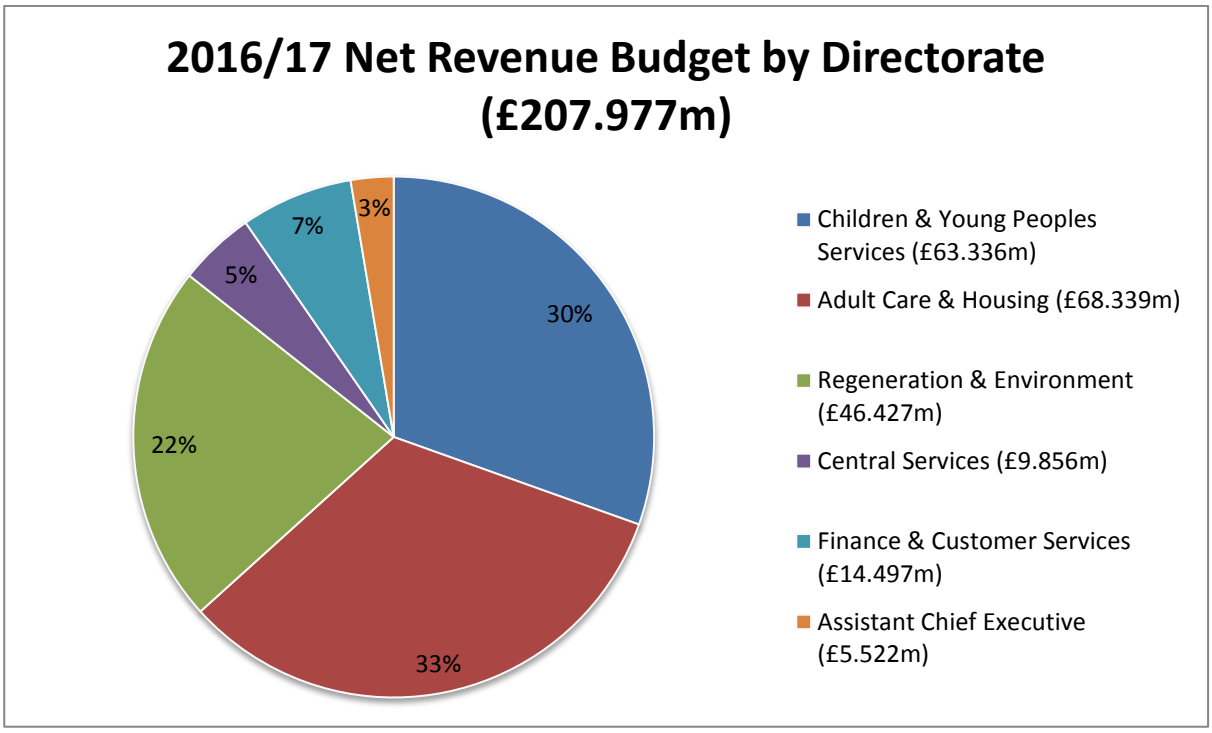
Collection Fund Statement
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax, and also illustrates the way in which income has been distributed to precepting authorities (i.e. South Yorkshire Fire and Police).

Revenue & Capital Expenditure Outturns

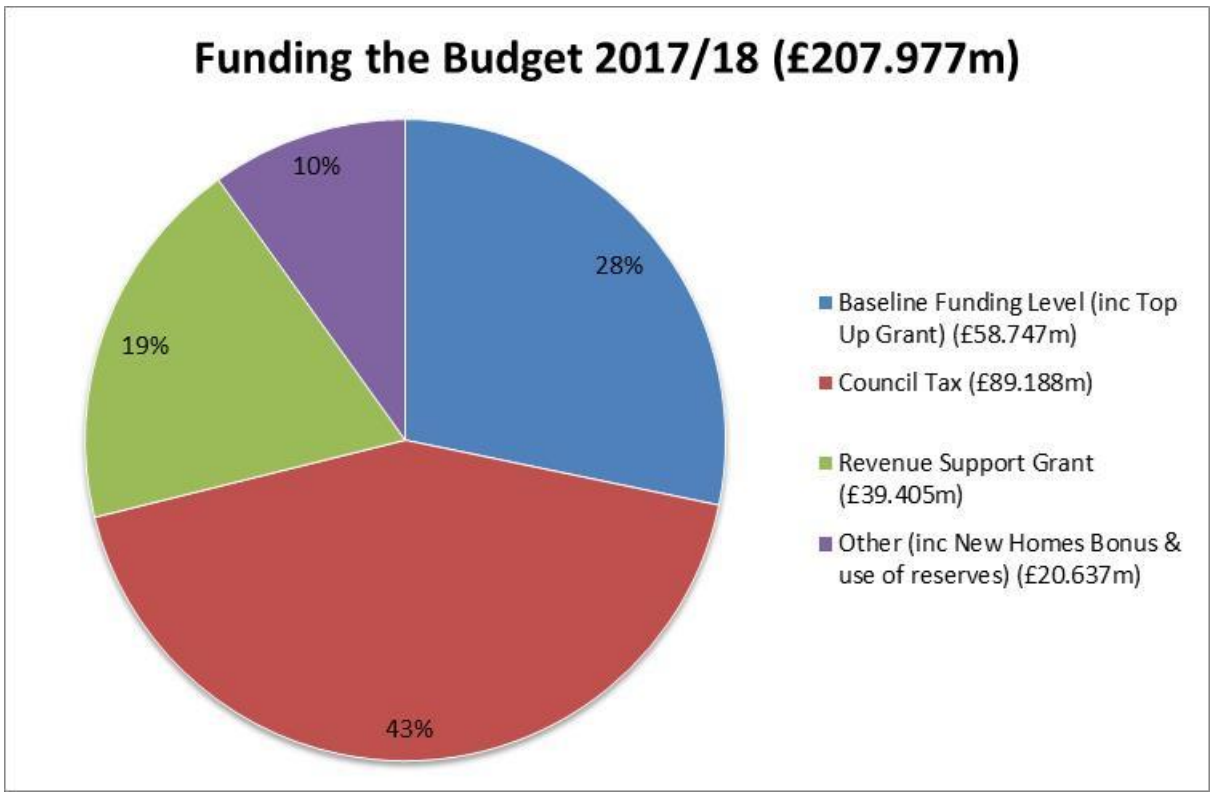
A summary of the Council's revenue and capital outturns for 2016/17 is included in the following paragraphs. Further details can be found in the report presented to the Cabinet/Commissioners Decision Making Meeting on the 10 July 2017. The agenda for this meeting can be accessed through the Council & 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 2016/17 was £207.977m (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 an original revenue budget for General Fund services (excluding schools) of £199,521. In December 2016 Council approved a budget increase of £8.456m largely to address in-year pressures within children's social care service. This increased the budget to £207.977m for 2016/17. The actual outturn of £205.244m was £2.733m less than this revised budget. This means that the actual additional call on reserves is £2.733m less than the £8.456m approved by Council.

The General Fund Working Balance remains at £11.269m, the same position as at 31st March 2016.

The Council's Revenue Reserves have decreased by £12.083m to £88.395m.

The principal reasons for the £2.733m underspend are:

- A £3.010m overspend within the Adult Care and Housing Directorate predominantly due to increased demand for services – direct payments and managed accounts, residential and nursing care and domiciliary care packages;
- An overspend of £2.344m on Children and Young People's 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 and the use of agency staff to cover vacant Social Worker posts to provide essential leadership and direction to the service;
- A £1.711m underspend on Regeneration and Environment Services mainly as a result of savings against a number of budgets as a result of the moratorium on non-essential spend, savings on street lighting energy costs and the generation of additional grant income.
- A £1.160m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates predominantly due to the reduced costs of Council Tax and Business Rates income collection, additional income from the recovery of Housing Benefit overpayments, and staff and non-staff savings from the moratorium on non-essential spend; and
- A £3.092m underspend in Council-wide Services arising from an underspend on capital financing budgets as a result of the Council being able to reschedule a market loan, changing interest rate forecasts after the EU Referendum, a reduced borrowing need in year and additional Government grant for business rates.

The Council also reduced the charge to the revenue budget by £1.968m through a combination of use of the Government's newly introduced capital receipts flexibility and classification of some costs as capital expenditure within appropriate accounting rules.

Schools Outturn

In addition to General Fund balances and reserves the Council also holds £1.304m relating to School Delegated Budgets. As can be seen below, this represents a reduction of £2.418m on the previous year. The reduction has arisen, in part, due to schools having drawn down balances to support spending in 2016/17 and, in part, due to the transfer of school balances from the Council's balance sheet as a result of 15 schools converting to an academy during the year.

2015/16 £m		2016/17 £m
0.038	Schools' Declared Savings	0.022
3.683	Unspent Schools' Budgets	1.282
3.722	Total	1.304

Housing Revenue Account Income and Expenditure Account

For 2016/17, the Income and Expenditure Account shows a surplus on the provision of HRA services of £12.475m. 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 £5.251m and led to an overall surplus of £7.224m for 2016/17 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 2016/17 was £35.156m. 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.

Reserves

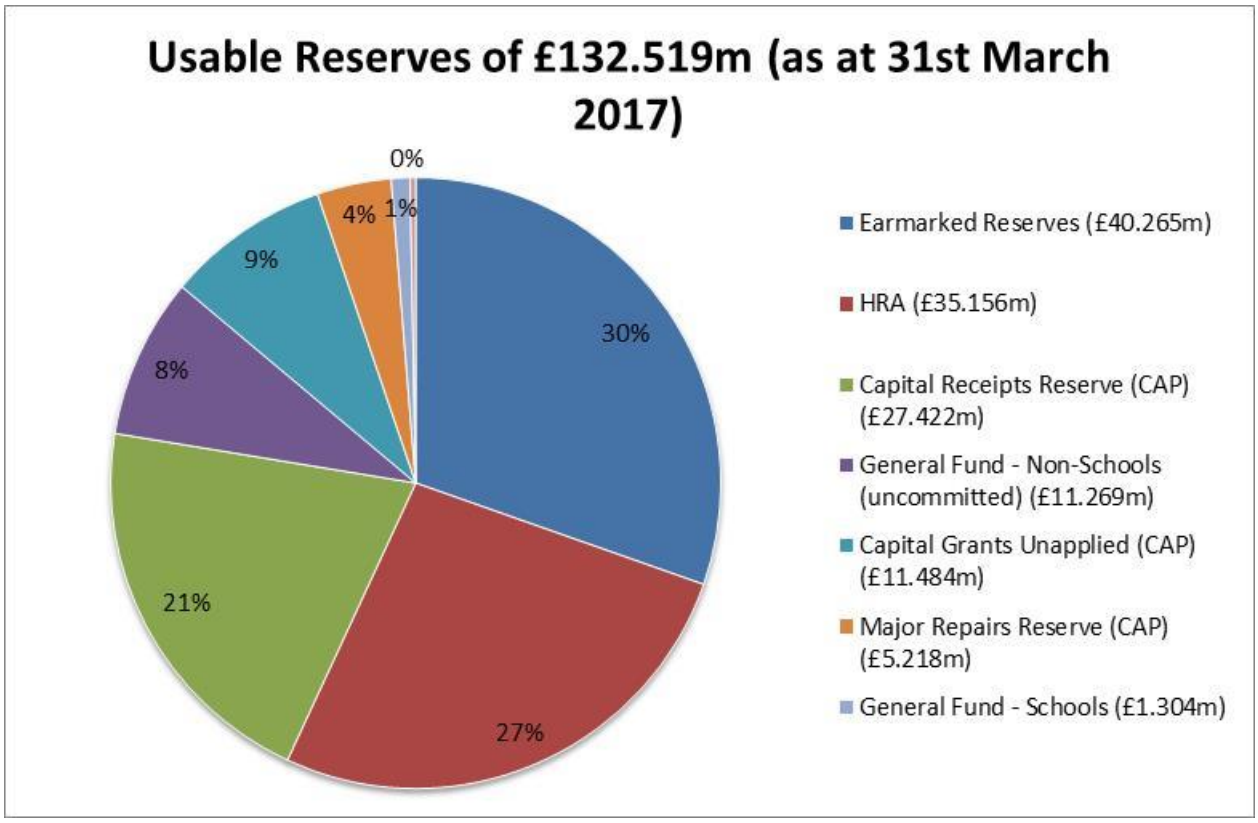
The Council manages its funds between two categories of reserves, usable reserves and unusable reserves.

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 2017, the Council held £132.519m of usable reserves. Included within this balance are capital reserves of £44.124m which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue directly.

This leaves £88.395m 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 is considered to be a reasonable level of reserves to protect the Council against unforeseen events and the realisation of contingent liabilities.

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 2016/17 amounted to £56.490m and is analysed by Directorate as follows:

Directorate/Service	2016/17 £m
Children & Young People Services	6.580
Adult Care & Housing:	
- Housing Revenue Account	24.789
- Housing General Fund	3.595
- Adult Social Services	0.681
Regeneration & Environment	15.300
Finance & Customer Services	3.022
Council-wide Services	2.523
Total	56.490

The capital expenditure was financed as follows:

	2016/17 £m
Borrowing need	7.870
Major Repairs Allowance (MRA)	18.630
Grants & Other Contributions	16.488
Capital Receipts	7.949
Internal Funds (e.g. Reserves, etc.)	5.553
Total	56.490

Major items of capital expenditure incurred are as follows:

	2016/17 £m
Non Housing:	
Carriageway Resurfacing	5.077
Street Lighting	1.920
Acquisition of Forge Island	1.624
Improvements and Alterations to Office Accommodation	7.380
Social Care IT System	1.466
ICT Upgrade and Refresh Programmes	1.258
Improvements and Alterations to Academies and Special Schools	1.455
Improvements and Alterations to School Buildings	4.668
Various Academy Schools PFI lifecycle costs	1.475

Housing Investment Programme:	
Physically Handicapped Conversions / Improvements (Public)	1.919
Replacement of Central Heating Systems	3.121
Voids Programme	3.052
Refurbishment of Council Stock	8.797
Physically Handicapped Adaptations (Private)	1.820
District Heating Conversions	1.661
Strategic Housing Acquisitions	1.926
Furnished Homes	1.105

Treasury Management & Prudential Indicators

A summary of the Council's borrowing activities for 2016/17 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 10th July 2017. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

The Council's borrowing activities are summarised as follows:

2015/16 £m	**Long Term Borrowing**	2016/17 £m
446.597	Balance as at 1 April	459.305
	Plus:	
30.000	New long-term borrowing	40.000
0.000	Long-term borrowing repaid	0.000
(17.292)	Re-classified as temporary borrowing (repayable in the following financial year)	(52.299)
459.305	Balance as at 31 March	447.006

2015/16 £m	**Short Term Borrowing**	2016/17 £m
22.286	Balance as at 1 April	17.292
	Plus:	
13.000	New temporary borrowing	20.000
17.292	Re-classified from long-term borrowing	52.299
52.578		89.591
(13.000)	Repayments in the year	(20.000)
(22.286)	Repayment of prior year's reclassified long-term borrowing	(17.292)
(35.286)		(37.292)
17.292	Balance as at 31 March	52.299

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.

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 2016/17. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

In response to changes in the 2016/17 Code there have been changes to 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 is 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 is 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 are not apportioned across services but instead reported separately in their own right. This represents a major change to the presentation in the CIES and prior year comparatives in the 2016/17 accounts have been restated.

A new Funding and Expenditure Analysis has been 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.

It had been planned that the 2016/17 CIPFA Code of Practice would adopt the Transport Infrastructure Assets Code, resulting in a change to the measurement basis for the Council's highways related assets. The new valuation approach was expected to significantly increase the value of the Council's balance sheet. However the decision to introduce this change has been revoked and the plans to introduce the Transport Infrastructure Assets Code has been postponed for the foreseeable future.

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 6 years (2011/12 to 2016/17) 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 6 year period, the Council has addressed a cumulative funding gap of £138m.

For 2017/18 the Council is required to achieve its plans to meet a further £24m 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 up to a further 3% for 2017/18 (but to not exceed an additional 6% in total over the 3 years 2017/18 to 2019/20) 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.

Work is currently underway 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 it is sensible to do so and where it will reduce costs and/or increase efficiency.

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 MTFS to 2019/20 alongside developing budget savings proposals for 2018/19 & 2019/20. The MTFS refresh will also reflect the outcome of discussions currently taking place with the Clinical Commissioning Group (CCG) around the planned use of the additional resources allocated through the Improved Better Care Fund.

Signed……

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

Date 30/6/17

Appendix B

Draft Statement of Accounts 2016/17 – Financial Highlights Report

This financial highlights report draws Members attention to key financial disclosures reported in the 2016/17 draft 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 79, 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 2016/17

- 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 87 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 £205.244 million. After including the combined surplus on the HRA and Schools this reduces to £199.149 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 a decrease in costs of £43.723 million, in addition transfers to/from reserves included in the outturn which are excluded from the CIES amount to £11.504m giving a total of £166.930 million.

Other income (Council Tax, business rates, Revenue Support Grant and other non specific grants) a credit of £199.521 million results in a net surplus on provision of services of £32.591 million, the figure reported in the CIES on page 5.

Material Items

Per note 49 (page 76) the main item to note in the 2016/17 accounts is the result of the change in discount factor on council dwellings which affected the revaluation calculation resulting in a large credit to the HRA.

DRAFT

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2016/17

Contents **Page Number**

AUDIT OF ACCOUNTS 2016/17

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

Statement of Accounts 2016/17 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 Monday 3 July 2017 and will conclude at 4pm on Friday 11 August 2017.

The following documents will be made available:

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

The draft Statement of Accounts 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 Monday 3 July 2017 and will conclude on Friday 11 August 2017 (between 9.30am and 4.00 pm Monday to Friday). Any person interested, on application to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council, 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 2017, and all books, deeds, contracts, bills, vouchers and receipts relating thereto.

2. Notice is also given that on or after Monday 3 July 2017 until Friday 11 August 2017, 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 Monday 3 July 2017 until Friday 11 August 2017, 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

Friday 30 June 2017

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 2017 and its income and expenditure for the year then ended.

Signed…… .

Judith Badger CPFA

Date…… 30 June 2017

Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2017 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 Concepts and Policies** (Page 94) – These 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 concepts and policies that have been applied in preparing the Council's 2016/17 financial statements are detailed on Page 94;

- **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 79) – 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 87) – 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 maintained schools within the control of the Council.

The Council's Financial Statements also include the Metropolitan Debt Administration statement (Page 91) 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

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.

There has been a fundamental change to the way in which income and expenditure is presented in the CIES in 2016/17. Further detail is provided in Accounting Policy 1 on page 95 of the accounts.

2015/16 as restated Expenditure £000	2015/16 as restated Income £000	2015/16 as restated Net Cost £000		Gross Expenditure £000	Gross Income £000	2016/17 Net Cost £000	Notes
111,169	(40,583)	70,586	Adult Care and Housing	111,611	(37,849)	73,762	
71,320	(84,912)	(13,592)	Local Authority Housing (HRA)	(32,983)	(85,096)	(118,079)	49
89,539	(27,016)	62,523	CYPS Excl Schools	99,188	(28,069)	71,119	
135,940	(131,059)	4,881	Schools	101,049	(110,862)	(9,813)	49
77,142	(29,592)	47,550	Regeneration and Environment Services	75,604	(30,825)	44,779	
16,306	(16,036)	270	Public Health	17,950	(17,542)	408	
7,372	(2,582)	4,790	Assistant Chief Executive Office	7,783	(2,730)	5,053	
110,316	(95,870)	14,446	Finance and Customer Services	106,847	(92,355)	14,492	
9,286	(10,407)	(1,121)	Central Services	16,363	(10,431)	5,932	
628,390	(438,057)	190,333	Cost of Services	503,412	(415,759)	87,653	
41,808	(6)	41,802	Other Operating Expenditure	62,038	(2)	62,036	4
45,167	(1,933)	43,234	Financing and Investment Income and Expenditure	48,141	(1,964)	46,177	5
0	(237,273)	(237,273)	Taxation & Non-Specific Grant Income and expenditure	0	(228,457)	(228,457)	7
715,365	(677,269)	38,096	(Surplus) / Deficit on Provision of Services	613,591	(646,182)	(32,591)	
		(16,902)	(Surplus) on Revaluation of Non Current Assets			(60,972)	38b
		(1,295)	Write down of Met Debt			(1,424)	38a
		(51,883)	Remeasurements of assets and liabilities			142,878	18
		(70,080)	Other Comprehensive Income & Expenditure			80,481	
		(31,984)	Total Comprehensive Income & Expenditure			47,890	

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 are detailed in Note 37) 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.

2015/16	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) £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
Balances as at 1 April 15	98,471	20,728	23,720	4,738	15,773	163,430	(121,241)	42,189	37/38
Movement in reserves during the year:									
Total Comprehensive Income and Expenditure	(40,025)	1,929	0	0	0	(38,096)	70,080	31,984	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,392	5,276	1,288	(864)	(5,167)	14,925	(14,925)	0	
Increase / (Decrease) in Year	(25,633)	7,205	1,288	(864)	(5,167)	(23,171)	55,155	31,984	
Schools Balances transferred out on conversion to academy	(292)					(292)		(292)	
At 31 March 16	72,546	27,933	25,008	3,874	10,606	139,967	(66,086)	73,881	

2016/17	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) £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
Balances as at 1 April 16	72,546	27,933	25,008	3,874	10,606	139,967	(66,086)	73,881	37/38
Movement in reserves during the year:									
Total Comprehensive Income and Expenditure	(72,057)	104,648	0	0	0	32,591	(80,481)	(47,890)	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	53,702	(97,425)	2,414	1,345	877	(39,087)	39,087	0	
Increase / (Decrease) in Year	(18,355)	7,223	2,414	1,345	877	(6,496)	(41,394)	(47,890)	
Transfers between reserves									
Schools Balances transferred out on conversion to academy	(952)					(952)		(952)	
At 31 March 17	53,239	35,156	27,422	5,219	11,483	132,519	(107,480)	25,039	

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".

2015/16 £000		2016/17 £000	Notes
1,007,356	Property, Plant and Equipment	1,115,799	19
6,952	Heritage Assets	6,952	23
32,152	Investment Property	29,970	20
2,558	Intangible Assets	2,064	21
190	Long Term Investments	190	30
9,610	Long Term Debtors	4,771	33
1,058,818	Long Term Assets	1,159,746	
34	Short Term Investments	34	24
629	Assets Held For Sale	1,015	22
747	Inventories (Stock)	702	31
43,564	Short Term Debtors	51,580	33
21,549	Cash and Cash Equivalents	29,129	34
66,523	Current Assets	82,460	
(34,202)	Bank Overdraft	(32,911)	34
(21,354)	Short Term Borrowing	(56,077)	24
(56,411)	Short Term Creditors	(63,700)	35
(6,540)	Short Term Provisions	(4,390)	36
(118,507)	Current Liabilities	(157,078)	
(7,527)	Long Term Provisions	(5,564)	36
(522)	Long Term Creditors	(28)	35
(459,306)	Long Term Borrowing	(447,008)	24
(463,118)	Other Long Term Liabilities	(605,209)	50
(2,481)	Capital Grants Received in Advance	(2,280)	8
(932,954)	Long Term Liabilities	(1,060,089)	
73,880	Net Assets	25,039	
(139,966)	Usable Reserves	(132,519)	37
66,086	Unusable Reserves	107,480	38
(73,880)	Total Reserves	(25,039)	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2015/16 £000	2016/17 £000	Notes
Deficit on the provision of services	38,096	(32,591)	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(68,803)	3,268	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20,671	25,087	39
Net cash inflows from Operating Activities	(10,036)	(4,236)	
Investing Activities	18,518	17,377	40
Financing Activities	(6,054)	(22,012)	41
Net decrease in cash and cash equivalents	2,428	(8,871)	
Cash and cash equivalents at the beginning of the reporting period	(10,225)	(12,653)	34
Cash and cash equivalents at the end of the reporting period	(12,653)	(3,782)	34

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax [and rent] payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates [services or departments]. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16 as restated				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
68,749	1,837	70,586	Adult Care and Housing	71,354	2,408	73,762
(7,204)	(6,388)	(13,592)	Local Authority Housing (HRA)	(7,224)	(110,855)	(118,079)
61,230	1,293	62,523	Children and Young People's Services excluding schools	69,866	1,253	71,119
1,970	2,911	4,881	Schools	2,295	(12,108)	(9,813)
44,783	2,767	47,550	Regeneration and Environment Services	41,506	3,273	44,779
271	(1)	270	Public Health	408	0	408
4,540	250	4,790	Assistant Chief Executive Office	5,031	22	5,053
13,299	1,147	14,446	Finance and Customer Services	13,787	705	14,492
(169,208)	168,087	(1,121)	Central Services	(185,891)	191,823	5,932
18,430	171,903	190,333	**Net Cost of Services**	11,132	76,521	87,653
0	(152,237)	(152,237)	Other Income and Expenditure	0	(120,244)	(120,244)
18,430	19,666	38,096	**(Surplus) / Deficit**	11,132	(43,723)	(32,591)
		(119,199)	Opening General Fund and HRA Balance as at 1 April 2016			(100,479)
		18,430	Less (Surplus) / Deficit on General Fund Balance in year			11,132
		290	Transfer from reserves to Academies			952
		(100,479)	**Closing General Fund and HRA Balance at 31 March 2017**			(88,395)

Note 1a Adjustments in Expenditure and Funding Analysis

2015/16					2016/17			
Capital Adjustment £000	Pension Adjustment £000	Other Adjustment £000	Total £000		Capital Adjustment £000	Pension Adjustment £000	Other Adjustment £000	Total £000
1,339	690	(192)	1,837	Adult Care and Housing	2,817	40	(449)	2,408
7,320	15	(13,723)	(6,388)	Local Authority Housing (HRA)	(97,265)	10	(13,600)	(110,855)
482	825	(14)	1,293	Children and Young People's Services excluding schools	1,185	50	18	1,253
7,329	(2,700)	(1,718)	2,911	Schools	4,628	(17,850)	1,114	(12,108)
6,254	954	(4,441)	2,767	Regeneration and Environment Services	7,192	58	(3,977)	3,273
0	0	(1)	(1)	Public Health	0	0	0	0
11	155	84	250	Assistant Chief Executive Office	13	7	2	22
706	433	8	1,147	Finance and Customer Services	689	25	(9)	705
1,551	11	166,525	168,087	Central Services	7,823	23	183,977	191,823
24,165	0	17,637	41,802	Other Operating Expenditure	44,626	0	18,250	62,876
(533)	11,731	32,036	43,234	Financing and Investment Income and Expenditure	2,441	11,442	31,454	45,337
3,821	0	(241,094)	(237,273)	Taxation & Non-Specific Grant Income and expenditure	4,344	0	(232,801)	(228,457)
52,445	12,114	(44,893)	19,666		(21,507)	(6,195)	(16,021)	(43,723)

Note 1b Income and Expenditure Analysed by Nature

The authority's expenditure and income is analysed as follows:

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits expenses	248,471	213,453
Other services expenses	338,591	357,056
Depreciation, amortisation, impairment	53,078	(51,693)
Interest payments	33,423	32,932
Precepts and levies	17,582	16,455
Payments to Housing Capital Receipts Pool	1,942	1,924
Gain on the disposal of assets	22,278	43,464
Total expenditure	715,365	613,591
Income		
Fees, charges and other service income	(183,681)	(186,029)
Interest and investment income	(513)	(462)
Income from council tax and non domestic rates	(125,182)	(132,782)
Government grants and contributions	(367,893)	(326,909)
Total income	**(677,269)**	**(646,182)**
Surplus or Deficit on the Provision of Services	**38,096**	**(32,591)**

Note 1c Income Analysed by Segment

The authorities fees charges and other income is analysed as follows:

	2015/16 Income from Services £000	2016/17 Income from Services £000
Adult Care and Housing	(33,945)	(36,078)
Local Authority Housing (HRA)	(87,532)	(85,096)
Children and Young People's Services excluding schools	(6,129)	(6,258)
Schools	(7,869)	(7,803)
Regeneration and Environment Services	(28,841)	(30,022)
Public Health	(506)	(216)
Assistant Chief Executive Office	(2,436)	(2,727)
Finance and Customer Services	(3,704)	(3,695)
Central Services	(10,159)	(10,397)
Other income below Cost of Service	(2,560)	(3,737)
Total Income analysed on a segmental basis	(183,681)	(186,029)

Note 2 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 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
Use of the Capital Receipts Reserve to repay debt	0	0	0	0	0	0
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:						
Reversal of Major Repairs Allowance credited to the HRA	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 credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(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)

	Movements in Usable Reserves 2016/17					
	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	21,277	13,675	0	0	0	(34,952)
Amortisation of intangible assets	728	84	0	0	0	(812)
Revaluation losses on Property, Plant and Equipment & Investment Properties	835	(119,100)	0	0	0	118,265
Capital grants and contributions applied	(17,102)	(262)	0	0	877	16,487
Revenue expenditure funded from capital under statute	8,292	0	0	0	0	(8,292)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	44,618	(445)	7,894	0	0	(52,067)
Debt Repayment			4,709			(4,709)
Statutory provision for the financing of capital investment	(40)	0	0	0	0	40
Capital expenditure charged against the General Fund and HRA balances	(87)	(5,466)	0	0	0	5,553
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(7,949)	0	0	7,949
Use of receipts to repay debt			(317)			317
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,924	0	(1,924)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	1	0	0	(1)
Adjustment primarily involving the Major Repairs Reserve:						
Transfer from HRA to Major Repairs Reserve re notional MRA	0	13,471	0	(13,471)	0	0
HRA depreciation to capital adjustment account	0	0	0	33,446	0	(33,446)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(18,630)	0	18,630
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	(25)	114	0	0	0	(89)

	Movements in Usable Reserves 2016/17 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)	18,439	1,627	0	0	0	(20,066)
Employer's pension contributions and direct payments to pensioners payable in the year	(25,135)	(1,126)	0	0	0	26,261
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	(1,262)	0	0	0	0	1,262
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	1,240	3	0	0	0	(1,243)
Total Adjustments	53,702	(97,425)	2,414	1,345	877	39,087

Note 3 Transfers to and from Earmarked Reserves

	Bal at 1 Apr 15 £000	Trans between Reserves 2015/16 £000	Trans out 2015/16 £000	Trans in 2015/16 £000	Bal at 31 Mar 16 £000	Trans between Reserves 2016/17 £000	Trans out 2016/17 £000	Trans in 2016/17 £000	Bal at 31 Mar 17 £000
General Fund									
Insurance	251	0	(5)	0	246	0	(17)	0	229
Insurance Fund Reserve	0	250	0	100	350	0	0	0	350
Transformation Reserve	16,851	(8,168)	(8,841)	5,309	5,151	0	(2,418)	0	2,733
Buisness Rate Reserve	0	4,000	0	0	4,000	0	0	0	4,000
Pensions Reserve	0	6,000	0	0	6,000	0	0	0	6,000
Revenue Grants Reserve	9,966	0	(6,174)	10,179	13,971	0	(11,812)	2,173	4,332
Local Authority Energy Fund (LAEF)	66	0	(6)	71	131	0	(127)	67	71
Museum	34	0	0	0	34	0	0	0	34
Rotherham Economic Regeneration (RERF)	75	0	0	0	75	0	(75)	0	0
Maintenance of Buildings	320	0	(23)	136	433	0	(214)	48	267
Managed Workspace Repairs & Renewals	186	0	(32)	39	193	0	0	32	225
PFI - Waste	0	0	0	1,618	1,618	0	(299)	1,002	2,321
PFI – Leisure	906	0	(84)	0	822	0	0	1,571	2,393
Schools Declared Savings	135	0	(98)	0	37	0	(15)	0	22
PFI - Schools	13,011	0	(1,613)	800	12,198	0	(2,749)	0	9,449
Looked-After Children Reserve	0	6,000	0	0	6,000	0	(4,000)	0	2,000
Academy Conversion Reserve	0	1,200	0	0	1,200	0	(18)	108	1,290
Housing Improvement Programme	10	0	0	0	10	0	0	0	10
Aston CSC Repair / Maintenance Fund	100	0	0	20	120	0	0	20	140
Kimberworth The Place Repairs / Maintenance Fund	5	0	0	5	10	0	0	5	15
Riverside House Repairs / Maintenance Fund	180	0	0	52	232	0	0	51	283
EMS Implementation Fund	157	0	0	38	195	0	0	38	233
EIC Partnership Reserve	408	0	(408)	0	(0)	0	0	0	(0)
Furnished Homes	3,743	(180)	(495)	208	3,276	0	(226)	0	3,050
MRP adjustment Reserve	34,783	(9,282)	(25,501)	0	(0)	0	0	0	(0)
Selective Licensing Reserve	0	180	0	522	702	0	(18)	156	840
Memb Comn Leadership Fund	0	0	0	0	0	0	0	18	18
Emergency Planning	0	0	0	0	0	0	0	71	71
Rotherham Partnership	0	0	0	0	0	0	0	71	71
School Insurance	0	0	0	0	0	0	0	8	8
School Music	0	0	0	0	0	0	0	28	28
School Catering	0	0	0	0	0	0	0	125	125
Dispersed Units	0	0	0	0	0	0	0	79	79
Total	81,187	0	(43,280)	19,097	57,004	0	(21,988)	5,671	40,687
Total General Fund	81,187	0	(43,280)	19,097	57,004	0	(21,988)	5,671	40,687

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 2016/17. 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 relief and business closures.

(v) Pension Reserve

The Pension Reserve is to be used to meet the Council’s pension obligations across the medium term.

(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.

(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 CO2 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) Selective Licensing

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

(xxvi) Other Reserves

The remaining reserves have been set up to hold approved carry forwards for use in future years.

Note 4 Other Operating Expenditure

2015/16 as restated £000		2016/17 £000	Notes
2,228	Parish Council precepts	2,390	
15,354	Levies payable	14,065	
1,942	Payments to the Government Housing Capital Receipts Pool	1,924	
22,119	Loss on disposal of non current assets	43,464	49
159	Revaluation loss on disposal of Assets Held for Sale - current assets	193	22
41,802	Total	62,036	

Note 5 Financing and Investment Income and Expenditure

2015/16 as restated £000		2016/17 £000	Notes
33,423	Interest payable and similar charges	32,932	26
11,731	Net interest on the net defined benefit liability (asset)	11,442	18
(513)	Interest receivable and similar income	(462)	26
(1,407)	Income and expenditure relating to Investment Properties and changes in their fair value	2,265	20
43,234	Total	46,177	

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

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:

2015/16				2016/17		
Expenditure £000	Income £000	(Surplus) / Deficit £000		Expenditure £000	Income £000	(Surplus) / Deficit £000
21,891	(21,322)	569	Construction, Street Cleansing and Landscaping	18,283	(18,916)	(633)
2,897	(2,857)	40	Vehicle Maintenance	2,024	(2,034)	(10)
2,265	(2,290)	(25)	Property Services – Fee-billing	1,710	(1,995)	(285)
786	(893)	(107)	Engineering – Fee-billing	1,016	(1,169)	(153)
5,698	(5,360)	338	Cleaning of buildings	5,376	(5,309)	67
978	(1,013)	(35)	Markets	1,045	(1,236)	(191)
349	(359)	(10)	Building Regulations Control	403	(373)	30
10,746	(10,296)	450	School Support Services	10,067	(10,301)	(234)
79	(78)	1	Dispersed & Furnished Units	83	(86)	(3)
45,689	(44,468)	1,221	(Surplus) / Deficit	40,007	(41,419)	(1,412)

Traded services are included in the Comprehensive Income and Expenditure Statement within the Service that they are based. 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

2015/16 £000		2016/17 £000	Notes
88,974	Council Tax Income	94,430	
36,208	Non Domestic Rates	38,352	
25,395	Business Rates grants	25,094	
76,365	Non Ring-fenced government grants	57,561	8
10,331	Capital Grants and Contributions	13,020	8
237,273	Total	228,457	

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:

2015/16 £000		2016/17 £000
50,925	Revenue Support Grant	39,405
10,045	PFI Grant	9,822
15,395	Other Non Specific Revenue Grants	8,334
76,365	Total	57,561

Capital Grants Credited to Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
7,048	Department for Transport	5,546
0	Sheffield City Region	30
80	Environment Agency	0
589	European Regional Development Fund	2,070
2,157	Education Funding Agency: LA Maintained Maintenance Grant	1,577
523	Education Funding Agency: Basic Need Pupil Places	213
421	Education Funding Agency: LA Maintained Devolved Formula	558
0	Early Years Capital Fund and Entitlement for 2 year olds	0
749	Department of Health	-10
297	S106 Contributions	793
(1,788)	Department for Communities and Local Government	(16)
255	Other Local Authorities and Partners	2,259
10,331		13,020

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

2015/16 £000		2016/17 £000
124,645	Dedicated Schools Grant (Note 16)	108,263
89,073	Housing and Council Tax Benefit: subsidy	85,384
3,115	Sixth Form Funding	2,368
781	Troubled Families & Troubled Families Co-ordinator	1,146
9,070	Pupil Premium	7,580
1,763	Housing Benefit and Council Tax Benefit Administration	1,625
492	Youth Offending Teams Grant	430
506	Rotherham Music Hub	423
521	Adult Community Learning Grants	619
2166	Universal Free School Meals	2,104
546	Transformation Challenge Award	0
128	Year 7 Catch Up Premium	86
150	SEND Implementation Grant (New Burdens)	169
611	Local Sustainable Transport Fund	300
1,297	Care Act	0
40	Helping People Home Grant	0
6,166	Social Care Funding	6,162
3,773	Other NHS Funding (including Better Care Fund)	4,575
181	Local Reform & Community Voices Grant	184
1,254	Independent Living Fund	1,588
15,316	Public Health Funding	17,157
144	Deprivation of Liberty Safeguards (DoLs)	0
232	Police and Crime Commission	304
597	Discretionary Housing Payments (DHPs)	673
251	Police & Crime Commissioner Election	250
0	EU Election Grant	421
188	Adoption Support	182
151	Inter Agency Grant	307
0	Fusion Funding	243

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 16 £000		31 Mar 17 £000
2,481	Section 106 Developer Contributions	2,280
2,481	Total of Capital Grants Received in Advance	2,280

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	2015/16 as restated £000		Income £000	Expenditure £000	2016/17 £000
(355)	669	1,452	Regeneration & Environment	(844)	1,046	1,251
0	0	940	CYPS	0	0	940
0	44	89	HRA	0	0	89
(355)	713	2,481	Total	(844)	1,046	2,280

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in 2016/17.
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:

2015/16 £000		2016/17 £000
(1,867)	Gross income	(2,204)
1,867	Gross expenditure	2,204
0	(Under) / over spend	0

Note 11 Transport Act

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

Note 12 Pooled Budgets

The Council, through Adult Social Services, has 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 £13.406m, 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 £10.917m.

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

2015/16 £000	Better Care Fund - Pool 1 RMBC	2016/17 £000
(6,401)	Rotherham CCG	(9,570)
(1,968)	Rotherham MBC - Capital	(2,119)
(1,702)	Rotherham MBC - Revenue	(1,717)
(10,071)	Total Gross Income	(13,406)
1,968	Capital Expenditure	2,119
7,497	Revenue Expenditure	11,458
9,465	Total Gross Expenditure	13,577
(606)	Over / (Under) spend	171
606	Transfer / use of balances	(171)
0	Net Balance as at 31 March 2017	0

2015/16 £000	Better Care Fund - Pool 2 RCCG	2016/17 £000
(13,245)	Rotherham CCG	(10,867)
0	Rotherham MBC	(50)
(13,245)	Total Gross Income	(10,917)
12,711	Revenue Expenditure	10,746
12,711	Total Gross Expenditure	10,746
(534)	Over / (Under) spend	(171)
534	Transfer / use of balances	171
0	Net Balance as at 31 March 2017	0

Note 13 Members' Allowances

Members' allowances and expenses during the year totalled £924,471 excluding Joint Council allowances (2015/16 £892,098 excluding Joint Council allowances). The employers' pension contributions associated with these allowances was £1,832 (2015/16 £17,020), the reduction from previous years is due to new Members being prohibited from entering the employers pension scheme combined with the significant turnover of Members over the last year.

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.

2015/16 £000	**Members Allowances**	2016/17 £000
732	Basic allowance	727
159	Special responsibility allowances	196
1	Travel	1
892	Total Members' Allowances and Expenses	924
17	Employer Pension Costs	2
909	Total	926

Note 14 Staff Remuneration

The Accounts and Audit Regulations 2015 require the disclosure of certain information relating to officers' remunerations. Details of the number of employees who received remuneration of £50,000 or more based on 2016/17 payroll information, expressed in bands of £5,000 is as follows:

2015/16			2016/17	
Officers Total	Teachers Total		Officers Total	Teachers Total
28	25	£50,000 - £54,999	33	29
19	22	£55,000 - £59,999	15	13
12	6	£60,000 - £64,999	16	18
11	13	£65,000 - £69,999	5	10
3	2	£70,000 - £74,999	6	6
1	3	£75,000 - £79,999	2	3
5	2	£80,000 - £84,999	7	0
0	2	£85,000 - £89,999	1	3
0	0	£90,000 - £94,999	0	0
1	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	0	0
0	1	£105,000 - £109,999	0	0

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). In some cases that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2016/17, the number of such employees was 7 (7 officers and 0 teacher).

The above table excludes the senior employees whose remuneration for 2015/16 and 2016/17 are shown in the Strategic Leadership Team note overleaf:

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

Strategic Leadership Team Remuneration 2016/17

Job Title/Employee	Salary 2016/17 £	Additional Payments 2016/17 £	Compensation & Ex-gratia 2016/17 £	Total remuneration excluding employer pension contributions 2016/17 £	Pension employer contribution Refer to Note (viii) 2016/17 £
Strategic Leadership Team (who were Members during all or part of the year):					
Sharon Kemp - Chief Executive - Refer to Note (i)	160,000.01	0.00	0.00	160,000.01	20,640.00
Assistant Chief Executive - Refer to Note (ii)	97,970.04	0.00	0.00	97,970.04	12,638.14
Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	146,450.04	0.00	0.00	146,450.04	18,892.06
Strategic Director of Regeneration and Environment - Refer to Note (iv)	106,883.50	0.00	0.00	106,883.50	13,787.97
Interim Strategic Director of Regeneration and Environment - Refer to Note (iv)	46,130.00	0.00	0.00	46,130.00	0.00
Director of Public Health - Refer to Note (v)	85,658.65	12,382.26	0.00	98,040.91	12,374.87
Interim Strategic Director of Adult Care and Housing - Refer to Note (vi)	116,463.56	0.00	0.00	116,463.56	0.00
Strategic Director of Adult Care and Housing - Refer to Note (vi)	77,741.94	0.00	0.00	77,741.94	9,640.92
Director of Legal Services - Refer to Note (vii)	83,547.00	0.00	0.00	83,547.00	10,777.56
Strategic Director of Finance and Customer Services	114,518.04	0.00	0.00	114,518.04	14,772.83
Interim Head of Human Resources - Refer to Note (viii)	96,630.87	0.00	0.00	96,630.87	0.00
Head of Human Resources - Refer to Note (viii)	20,437.57	0.00	0.00	20,437.57	2,636.45
Total	1,152,431.22	12,382.26	0.00	1,164,813.48	116,160.80

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, as such the full costs of this post are reflected in the 2016/17 accounts.

(ii) The Assistant Chief Executive commenced their employment on 1 March 2016, as such the full costs of this post are reflected in the 2016/17 accounts.

(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 Interim Strategic Director of Regeneration and Environment left the Council on 8 July 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.

The new Strategic Director of Regeneration and Environment was appointed from 25 April 2016.

(v) The Director of Public Health commenced their employment on 29 June 2015. The additional payments made to the Director of Public Health represent various allowances to which they are contractually entitled to.

(vi) The Interim Strategic Director of Adult Care and Housing left the Council on 31 August 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. The new Strategic Director of Adult Care and Housing commenced their employment on 8 August 2016.

(vii) The Director of Legal Services commenced their employment on 7 March 2016, as such the full costs of this post are reflected in the 2016/17 accounts.

(viii) The Interim Head of Human Resources left the Council on 16 December 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. The new Head of Human Resources commenced their employment on the 3 January 2017.

(ix) The LGPS Employer Pension contributions disclosed in 2015/16 and 2016/17 are based on the common rate of contribution set by the Actuary of 12.6 percent and 12.9 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.

Senior Leadership Team costs for 2016/17 have exceeded their 2015/16 comparator by £371,082.73, this is mainly due to having the full year costs of the Chief Executive and Assistant Chief Executive (note i and ii), cross over of the Interim Strategic Director of Adult Care & Housing and the Strategic Director of Adult Care and Housing (note vi), and the full year costs of the Director of Human Resources post (note viii) that has been filled via agency and now a new member of staff. This increase in cost is offset by the reduction in Commissioners costs following Commissioner Manzie's decision to leave the Council in February 2016 to be replaced by the new Chief Executive, this has seen a saving in Commissioner's costs of her annual salary of £160,000 per annum.

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)

Malcolm Newsam (Children's Social Care Commissioner – left the Council May 2016)

Mary Ney (Supporting Commissioner)

Julie Kenny CBE (Supporting Commissioner)

Patricia Bradwell (Supporting Commissioner)

The Commissioners 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.

The Commissioners were paid fees of £164,200 (2015/16 £462,217) for services rendered for the period 1 April 2016 to 31 March 2017. Business expenses of £15,766 (2015/16 £30,421) were incurred by the Commissioners over the same period in carrying out these services. Employer's national insurance contributions on these fees and expenses are being paid 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	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	27	43	107	94	134	137	1,052	798
£20,001 - £40,000	6	16	25	16	31	32	872	815
£40,001 - £60,000	0	2	10	2	10	4	444	190
£60,001 - £80,000	0	2	7	1	7	3	462	205
£80,001 - £100,000	0	0	9	0	9	0	815	0
£100,001 - £150,000	0	1	1	0	1	1	119	124
£150,001 - £200,000	0	0	1	0	1	0	153	0
Total	33	64	160	113	193	177	3,917	2132

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	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	13	10	39	45	52	55	339	335
£20,001 - £40,000	1	0	3	2	4	2	106	47
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
Total	14	10	42	47	56	57	445	382

(xi) Termination Benefits

As part of the rationalisation of Council services during 2016/17, 234 employees (2015/16 249) 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 2016/17 totalled £2.514m (2015/16 £4.362m) - composed of severance payments of £1.628m (2015/16 £2.37m) and £0.886m (2015/16 £0.69m) in pensions strain costs. A further £0.727m of these pension strain costs will be paid over to the South Yorkshire Local Government Pension Scheme in 2017/18 and 2018/19 as they fall due and become chargeable to revenue (2015/16 £1.34m).

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:

2015/16 £000		2016/17 £000
141	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	26
157	Total	167

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:

2015/16				2016/17		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		218,554	Final DSG before Academy recoupment			218,515
		(93,915)	Less Academy figure recouped			(110,021)
		124,639	Total DSG after Academy recoupment			108,494
		1,036	Brought forward from previous year			24
16,409	109,266	125,675	Agreed initial Budgeted Distribution	15,977	92,541	108,518
0	6	6	In Year Adjustments	0	(231)	(231)
16,409	109,272	125,681	Final Budgeted Distribution	15,977	92,310	108,287
(17,456)	0	(17,456)	Less actual Central expenditure	(21,881)	0	(21,881)
0	(108,201)	(108,201)	Less actual ISB deployed to schools	0	(91,619)	(91,619)
(1,047)	1,071	24	Carry forward to next year	(5,904)	691	(5,213)

In Year Adjustments:

	£
Early Years Jan 16 census Adjustment 2015/16 (3&4 year old)	(1,033)
Early Years Jan 16 census Adjustment 2015/16 (2 year old)	(5,375)
Early Years Pupil Premium carry forward 2015/16 not recouped	23,783
Estimated Early Years Jan 17 census Adjustment 2016/17 (3&4 year old)	(133,880)
Estimated Early Years Jan 17 census Adjustment 2016/17 (2 year old)	(101,864)
Estimated Early Years Pupil Premium Adjustment 2016/17	(12,254)
Total Adjustment	(230,623)

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

The company was dissolved on the 17th February 2017, a final dividend of £186,000 was received during 16/17, no further transactions will occur.

(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 2015 were available and the details are as follows:

31 Dec 14 £000		31 Dec 15 £000
73	Turnover	5
(33)	Profit / (Loss) before taxation	(291)
(33)	Profit / (Loss) after taxation	(291)
4,910	Net Assets	4,619

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 2017.

(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 2016 were available and the details are as follows:

31 Mar 15 £000		31 Mar 16 £000
2,391	Turnover	2,349
(128)	Surplus for the year	(10)
1,302	Net Assets	1,292

Rotherham Metropolitan Borough Council's made no contribution to the company during 2016/17 (2015/16 nil).

During the financial year ended 31 March 2017, Creswell Groundwork Trust provided no services to the Council (2015/16 nil) and incurred no charges from the Council (2015/16 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 2016 were available and the details are as follows:

29 Mar 15 £000		29 Mar 16 £000
2,061	Turnover	2,027
(768)	(Deficit) for the year	(961)
12,213	Net Assets	11,252

During the financial year ended 31 March 2017, the company provided services to the Council to the value of £70,642.11 (2015/16 £50,631). Magna incurred charges from the Council of £1,988 (2015/16 £936).

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 2017. 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 2017.

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 2017/18.

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 2016 were available and the details are as follows:

31 Jul 15 £000		31 Jul 16 £000
5,836	Turnover	5,321
553	Surplus for the year	60
2,215	Net Assets	2,278

Rotherham MBC made no contribution towards the running costs of the company during 2016/17 (2015/16 nil).

During the financial year ended 31 March 2017, the company provided no services the Council (2015/16 £1,959) and incurred no charges from the Council.

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 2016 were available and the details are as follows:

31 Mar 15 £000		31 Mar 16 £000
1,478	Turnover	1,654
(24)	Profit before taxation	504
(24)	Profit after taxation	504
722	Net Assets	1,225

Rotherham MBC's grants to and payments for services provided by the company during 2016/17 was £0 (2015/16 £7,500), and incurred charges from the Council to the value of £1,985 (2015/16 £1,505).

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.

2015/16 £	Related Parties	Nature of Transactions	2016/17 £
	Assisted Organisations:		
25,733	Dinnington Resource Centre	Fees	24,151
67,137	Full Life Christian Centre	Grants & Fees	82,890
20,020	Get Sorted Academy of Music	Fees	13,437
108,911	Rotherham Advocacy Partnerships	Grants and Fees	72,378
150	Rotherham Diversity Forum	Grants and Fees	0
26,571	Rotherham Ethnic Minority Alliance Ltd	Fees	35,616
36,288	Tassibee Project	Grants, Fees and Charges	19,054
6,132	United Multicultural Centre Ltd	Fees	6,489
	Member Related:		
319,404	Rotherham and Barnsley Mind	Grants and Fees	139,700
6,856	Rotherham Women's Refuge	Fees	545,010
98,035	Swinton Lock Activity Centre	Grants and Fees	91,208
264,418	Voluntary Action Rotherham	Grants and Fees	274,192
	RCS Professional Development	Fees	0
	Gallery Town Limited	Fees	0
	Officer Related Organisations:		
143,939	GROW	Grants and Fees	95,730
29,698	Kiveton Park Independent Advice	Grants and Fees	29,698
	Other Related Organisations:		
13,019,247	Sheffield City Region Combined Authority	Transport Levy	11,521,000
35,909	Sheffield City Region Combined Authority	Contribution	237,006

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 2016. 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. Since April 2015 the Teacher's Pension Scheme has been a career average scheme rather than a final salary scheme with a normal retirement age the same as that for the state pension.

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 2016/17 the Council paid employer's contributions calculated at 16.48%, amounting in total to £6.518m (2016/17 £7.505m). Contributions have reduced due to a number of schools converting to academies during 2016/17.

The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2018 is £5m.

The Government Actuary's Department (GAD) has carried out an actuarial valuation of the scheme as at 31 March 2012. It showed 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%. 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%. The current employer contribution rate will be payable until the outcome of the next valuation is implemented, which is expected to be April 2019.

(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 2016/17 are tiered from 5% to 14.5% based on salary.

During 2016/17 the Council paid employer's contributions calculated at 14.3% amounting in total to £0.116m (£0.143m 2015/16).

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.

In March 2017 the Department of Health announced that a levy of 0.08% on employers would be introduced to pay for the administration of the NHS Pension scheme meaning that employers would pay 14.38% of pensionable pay – in light of this the total contributions expected to be made to the new NHS Pension Scheme by the Council in the year to 31 March 2018 is £0.095m.

(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 2016/17 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.

During the year the Council paid employer's superannuation contributions calculated at 12.9% amounting to £14.759m (2015/16 £15.186m at 12.6%) and prepaid in 15/16 £9.739m (net of discount) to cover future deficit liabilities for 2016/17 (£0.368m refund received on the prepayment for academy conversions).

Total ongoing contributions of £15.8m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 based on an ongoing service contribution rate of 14.9%.

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 2016 which the South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned from the actuary, Mercer Human Resource Consulting Ltd. This showed an improvement in the fund's position with the Council's share of the Fund deficit on the scheme reducing from £181 million at the previous actuarial valuation in 2013 to £129 million in March 2016 (with the funding level improving from 82% to 88% of scheme liabilities).

The funding plan, in accordance with the Funding Strategy Statement (FSS), is to make good the shortfall and achieve a funding level of 100% by 31 March 2036. In order to make good the funding deficit the Council has made and will continue to make contributions towards recovering Rotherham's share of the deficit on the pensions fund. The deficit recovery contribution in 2016/17 was £9.7m which was prepaid in 2015/16; the contribution for 2017/18 will be £8.5m which was included in a prepayment made in April 2017 for the three financial years 2017-20.

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 2015/16 as restated £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 as restated £000		Total Funded & Unfunded Local Government Pension Scheme 2016/17 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2016/17 £000
		Net Cost of Services		
(29,302)	0	- Current Service Cost	(25,315)	0
(1,535)	0	- Past Service	(1,206)	0
3,728	0	- Gain / (loss) from settlements	17,897	0
		Financing and Investment Income and Expenditure		
(11,731)	(713)	- Net Interest Expense	(11,442)	(730)
(38,840)	(713)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(20,066)	(730)
		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	20,433	(64)
(22,195)	0	- Return on plan assets (excluding the amount included in the net interest expense)	163,661	0
0	0	- Actuarial gains and (losses) arising on changes in demographic assumptions	10,153	98
74,078	724	- Actuarial gains and (losses) arising on changes to financial assumptions	(337,125)	(3,211)
51,883	724	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(142,878)	(3,177)
		Movement in Reserves Statement		
12,114	1,385	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	(6,195)	(619)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(26,726)	0	- Employer's contributions payable to Scheme	(26,261)	0
0	(1,374)	- Rechargeable Pensions	0	(1,349)

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 £0.461m Administrative expenses in relation to investments during 2016/17 (2015/16 £0.484m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial loss of £142.878m (£51.883m gain in 2015/16), 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 16 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 17 £000
Fair Value of Scheme Assets	927,244	1,103,208
Present value of Funded Liabilities	(1,226,590)	(1,546,418)
Net (under) funding in Funded Plans	(299,346)	(443,210)
Present Value of Unfunded Discretionary Liabilities	(20,946)	(23,504)
Per Mercers Report	(320,292)	(466,714)
Amount in the Balance sheet:		
Liabilities - funded and unfunded	(1,247,536)	(1,569,922)
Assets - funded and unfunded	927,244	1,103,208
Add back Employer Contributions Prepayment for 2016/17	(9,739)	0
Pensions Reserve	(330,031)	(466,714)
Pensions Liability	(320,292)	(466,714)

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

Total Funded & Unfunded Local Government Pension Scheme 2015/16 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 £000		Total Funded & Unfunded Local Government Pension Scheme 2016/17 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2016/17 £000
915,439	0	Fair Value of Plan Assets at beginning of period	927,244	0
30,588	0	Interest on plan assets	33,045	0
		Remeasurement gain / (loss):		
(22,195)	0	- The return on plan assets, excluding the amount included in interest expense	163,661	0
(484)	0	- Administrative expenses	(461)	0
(1,689)	0	- Settlements	(7,245)	0
26,726	1,374	- Employer contributions	16,522	1,349
9,739	0	- Prepayment Employer Contributions for 2016/17	0	0
7,530	0	- Member contributions	7,261	0
(38,410)	(1,374)	- Benefits/transfers paid	(36,819)	(1,349)
927,244	0	Fair Value of Scheme Assets at end of period	1,103,208	0

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

Total Funded & Unfunded Local Government Pension Scheme 2015/16 as restated £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2015/16 as restated £000		Total Funded & Unfunded Local Government Pension Scheme 2016/17 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2016/17 £000
(1,285,239)	(22,331)	Benefit Obligation at beginning of period	(1,247,536)	(20,946)
(29,302)	0	Current Service Cost	(25,315)	0
(41,835)	(713)	Interest Cost	(44,026)	(730)
(7,530)	0	Member Contributions	(7,261)	0
		Remeasurement gains and (losses):		
0	0	- Experience gain / (loss)	20,433	(64)
0	0	- Actuarial Gain / (loss) arising from changes in demographic assumptions	10,153	98
74,078	724	- Actuarial Gain / (loss) arising from changes in financial assumptions	(337,125)	(3,211)
(53)	0	- Past Service Cost	(46)	0
(1,482)	0	- (Loss) / gain on Curtailments	(1,160)	0
5,417	0	- Liabilities extinguished on Settlements	25,142	0
38,410	1,374	- Benefits/Transfers paid	36,819	1,349
(1,247,536)	(20,946)	Benefit Obligation at end of period	(1,569,922)	(23,504)

Analysis of the Fair Value of Plan Assets:

	Quoted (Y/N)	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 16 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 17 £000
Cash & cash equivalents:		16,227	17,431
Equity Investments:			
- UK quoted	Y	167,182	197,585
- Overseas quoted	Y	367,281	474,931
Bonds:			
- UK Government fixed	Y	371	0
- UK Government indexed	Y	111,084	127,310
- Overseas Government fixed	Y	25,221	30,007
- Overseas other	Y	12,703	19,747
- UK other	Y	45,806	48,872
Property:			
- UK direct	Y	94,023	89,250
-Property Funds	Y	14,372	14,121
Alternatvies:			
- Pooled Investment Vehicles	N	72,974	83,954
		927,244	1,103,208

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 2017.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2015/16	Discretionary Benefits 2015/16		Local Government Pension Scheme 2016/17	Discretionary Benefits 2016/17
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
23 years	23 years	Men	22.9 years	22.9 years
25.7 years	25.7 years	Women	25.7 years	25.7 years
		Longevity at 65 for future pensioners:		
25.4 years	25.4 years	Men (in 20 years time)	25.1 years	25.1 years
28.5 years	28.5 years	Women (in 20 years time)	28 years	28 years
2.0%	2.0%	Rate of CPI inflation	2.3%	2.3%
3.75%	-	Rate of increase in salaries	3.55%	-
2.0%	2.0%	Rate of increase in pensions	2.3%	2.3%
3.6%	3.6%	Rate for discounting scheme liabilities	2.6%	2.6%

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 £30.8m 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 £32.7m 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 £5.6m 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 £32m 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 15	528,025	368,616	55,770	154,073	6,781	23,377	16,513	1,153,155
Additions	26,208	26,539	4,374	10,764	18	8,222	0	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 as restated	731	3,255	307	9,469	20	(14,111)	0	(329)
At 31 Mar 16	515,883	369,242	57,237	174,306	6,823	17,458	20,014	1,160,964
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 - as restated	(24)	24	0	0	0	0	0	0
At 31 Mar 16	(33,770)	(42,523)	(31,556)	(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

	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 16	515,883	369,242	57,237	174,306	6,823	17,458	20,014	1,160,963
Additions	23,238	3,309	3,033	9,229	4	7,110	1,974	47,897
Accumulated Depreciation and Impairment written out to gross cost/valuation	(50,918)	(12,943)	0	0	0	0	(43)	(63,904)
Revaluation increases/decreases to Revaluation Reserve	54,788	9,299	0	0	0	0	1,688	65,775
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	119,100	1,637	0	0	0	0	166	120,903
Derecognition - Disposals	(5,013)	(44,200)	(3,506)	0	(7)	0	(1,625)	(54,351)
Derecognition - Other	0	(393)	(33)	0	0	0	0	(426)
Reclassified to/from Held for Sale	0	0	0	0	0	0	(1,019)	(1,019)
Reclassified to/from Investment Properties	0	0	0	0	0	(220)	(875)	(1,095)
Other Movements in cost valuation	2,873	(110)	0	2,397	1,392	(6,987)	415	(20)
At 31 Mar 17	659,951	325,841	56,731	185,932	8,212	17,361	20,695	1,274,723
Depreciation and Impairment								
At 1 Apr 16	(33,770)	(42,523)	(31,556)	(37,809)	(6,436)	1	(1,513)	(153,606)
Accumulated Depreciation and Impairment written out to gross cost/valuation	50,918	12,943	0	0	0	0	43	63,904
Depreciation Charge	(32,796)	(8,212)	(5,052)	(4,015)	(3)	0	(45)	(50,123)
Impairment losses/reversals to Revaluation Reserve	(3,027)	(1,719)	0	0	0	0	(56)	(4,802)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(13,675)	(1,580)	(205)	(541)	(838)	(1)	(1,437)	(18,277)
Derecognition - Disposals	79	2,742	1,101	0	0	0	18	3,940
Derecognition - Other	0	20	8	0	0	0	0	28
Reclassification to / from Held for Sale	0	0	0	0	0	0	12	12
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(18)	18	0	0	0	0	0	0
At 31 Mar 17	(32,289)	(38,311)	(35,704)	(42,365)	(7,277)	0	(2,978)	(158,924)
Net Book Value								
At 31 Mar 17	627,662	287,530	21,027	143,567	935	17,361	17,717	1,115,799
At 31 Mar 16	482,113	326,719	25,682	136,497	387	17,459	18,501	1,007,358

(a) Carrying Value of PFI Assets

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

2015/16 £000		2016/17 £000
	Cost or Valuation:	
71,142	At 1 April	72,887
(5,845)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(1,802)
19,611	Additions	767
3,438	Revaluation Increases / (Decreases) taken to Revaluation Reserve	(89)
1,030	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	(47)
(16,489)	Derecognition - Disposals	(392)
72,887	Cost or Valuation at 31 March	71,324
	Depreciation & Impairment:	
9,486	At 1 April	4,889
(5,845)	Adjustments between cost / value & depreciation/impairment	(1,802)
1,995	Depreciation Charge	2,073
163	Depreciation written out on Revaluation Reserve	0
172	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
0	Impairment Losses Recognised in the Revaluation Reserve	26
0	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	304
(1,082)	Derecognitions - Disposals	(19)
4,889	Depreciation and impairment at 31 March	5,471
	Net Book Value	
67,998	At 31 March	65,853

2015/16 £000		2016/17 £000
63,848	Land and buildings	62,053
4,150	Vehicles, Plant, Furniture and Equipment	3,800
0	Assets under Construction	0
67,998	Total	65,853

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 2016/17 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 provides 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) Revaluations and Impairment

In 206/17 a net valuation increase of £102.627m has been recognised in the CIES. Contained within the net figure is £16.817m relating to capital expenditure which did not enhance asset carrying values, a revaluation loss of £2.186m recorded against the Waste PFI facility in Wath, and impairment losses of £0.834m and £0.625 on Greenland Plantation and Maltby Hall Infants School respectively. They were offset by the increase in the value of the Council's housing stock which rose by £119.100m largely due to the revision of the social housing adjustment factor from 31% in 2015/16 to 41% in 2016/17. There was also an increase in the value of the Council's school buildings of £2.277m and an increase of £1.712m on other properties.

	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	4,911	45,061	56,730	185,934	6,819	3,169	0	302,624
Valued at fair value as at:								
31 Mar 17	655,040	74,067	0	0	2	17,527	0	746,636
31 Mar 16	0	100,869	0	0	1390	0	0	102,259
31 Mar 15	0	33,534	0	0	0		0	33,534
31 Mar 14	0	39,600	0	0	0	0	0	39,600
31 Mar 13	0	32,709	0	0	0		0	32,709
Total Cost or Valuation	659,951	325,840	56,730	185,934	8,211	20,696	0	1,257,362

e) Capital commitments

At 31 March 2017 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17. The Council had significant commitments of £1 million or more budgeted to cost £24.508m (£12.989m at 31 March 2016).

	Cost £m
Neighbourhood and Adult Services:	
Refurbishment of Dwellings	24.508
Total	24.508

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 2016/17 the Council's surplus assets have been revalued to fair value as at 31 March 2017. 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 2017 £000
Land and Buildings	0	17,718	0	17,718
Total	0	17,718	0	17,718

2015/16 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 2016 £000
Land and Buildings	0	18,501	0	18,501
Total	0	18,501	0	18,501

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 £17.718m (£18.501m as at 31 March 2016) 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:

2015/16 £000		2016/17 £000
(1,420)	Rental income from investment property	(1,501)
546	Direct operating expenses arising from investment property	485
(874)	Net income	(1,016)
(533)	Net (surplus) from fair value adjustments	2,441
0	Loss on disposal	840
(1,407)	Total included in Finance & Investment Income	2,265

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

2015/16 £000		2016/17 £000
31,427	Balance at 1 April	32,152
15	Subsequent expenditure	5
0	Disposals	(840)
533	Net gain from fair value adjustments	(2,441)
(7)	Net gain / (loss) through Revaluation Reserve	0
184	Transfers from Property, Plant & Equipment	1,094
32,152	Balance 31 March	29,970

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 2017 £000
Land and Buildings	0	29,970	0	29,970
Total	0	29,970	0	29,970

2015/16 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 2016 £000
Land and Buildings	0	32,152	0	32,152
Total	0	32,152	0	32,152

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

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 £29.970m (£32.152m as at 31 March 2016) 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 2017 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.

2015/16 £000		2016/17 £000
	Balance at 1 April:	
5,080	- Gross carrying amount	5,693
(2,277)	- Accumulated amortisation	(3,135)
2,803	Net carrying amount at 1 April	2,558
	Additions:	
283	- Purchases	298
330	- Reclassified from PP&E under Construction	20
(858)	Amortisation	(812)
2,558	Net carrying amount at 31 March	2,064
	Comprising:	
5,693	Gross carrying amounts	6,011
(3,135)	Accumulated amortisation	(3,947)
2,558	Balance at 31 March	2,064

Note 22 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance at 1 April	1,458	629	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	881	1,006	0	0
- Revaluation losses	(337)	(193)	0	0
- Revaluation gain	181	0	0	0
Assets declassified as held for sale:				
- Reclassified to Property, Plant and Equipment	(1,120)	0	0	0
- Assets sold	(434)	(427)	0	0
Balance at 31 March	629	1,015	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 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	Total £000
Cost or Valuation				
1 Apr 16	4,948	1,746	258	6,952
Additions	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0
31 Mar 17	4,948	1,746	258	6,952
31 Mar 16	4,948	1,746	258	6,952

Disposal of Heritage Assets in 2016/17

There have been no Heritage Asset disposals in 2016/17.

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 16 £000	31 Mar 17 £000	31 Mar 16 £000	31 Mar 17 £000
Financial Liabilities (principal amount)	(459,306)	(447,008)	(17,292)	(52,299)
Plus Accrued Interest	0	0	(4,062)	(3,778)
Financial liabilities at amortised cost	(459,306)	(447,008)	(21,354)	(56,077)
Total Borrowings	(459,306)	(447,008)	(21,354)	(56,077)
Loans and receivables (principal amount)	0	0	32	34
Plus(+)/Less(-) Other accounting adjustments	0	0	2	0
Loans and receivables at amortised cost	0	0	34	34
Unquoted equity investments at cost	190	190	0	0
Total Investments	190	190	34	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 17 £000 (a)	% (b)	31 Mar 17 % (c)	£000 (a*c)
Deposits with banks and financial institutions – excluding Icelandic Banks				
AAA rated counterparties	0	0.000%	0.000%	0
AA rated counterparties	0	0.000%	0.030%	0
A rated counterparties	0	0.080%	0.000%	0
Bonds	0	0.000%	0.000%	0
Total	0			0
Debtors				
Long Term Debtors	4,772	12.070%	12.070%	576
Sundry Debtors	15,181	4.071%	4.071%	618
Housing Tenants	7,798	48.897%	48.897%	3,813
Other Short-Term Debtors	11,741	9.914%	9.914%	1,164
Debtors	39,492			6,171

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 £6.171m represents the Council's provision for bad debts for the Financial Instruments in the table above and form part of the 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 16 £000		31 Mar 17 £000
7,444	Less than three months	11,026
498	Three to six months	1,705
523	Six months to one year	651
1,538	More than one year	1,799
10,003		15,181

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 2017 was £0.845m (£0.885m as at 31 March 2016).

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 16 £000		31 Mar 17 £000
21,354	Less than one year	56,077
22,299	Between one and two years	27,306
80,337	Between two and seven years	74,246
37,981	Between seven and fifteen years	27,062
318,689	More than fifteen years	318,394
480,660		503,084

The maturity analysis of financial assets is as follows:

31 Mar 16 £000		31 Mar 17 £000
34	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
34		34

All trade debtors and other payables are due to be paid in less than one year. These trade debtors of £15.181m 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:

2015/16 £000		2016/17 £000
100	Impact on Surplus or Deficit on the Provision of Services	0
47	Share of overall impact debited to the HRA	0
(125,913)	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)	(150,030)

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 2017 are as follows:

2015/16		Financial Liabilities	Financial Assets			2016/17
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
20,601	Interest expense	19,883	0	0	0	19,883
(4)	Impairment (gain)	0	0	0	0	0
12,826	Finance Lease Interest	13,049	0	0	0	13,049
33,423	Interest payable and similar Charges	32,932	0	0	0	32,932
(513)	Interest income	0	(462)	0	0	(462)
32,910	Net gain (-) / loss (+) for the year	32,932	(462)	0	0	32,470

Note 27 Financial Instruments – Fair Values

Fair Value of Financial Assets

At 31 March 2017 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 2016). 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.
- Some rights and obligations that would otherwise be financial instruments are excluded from the Creditors and Debtors figures in the two tables below as they are covered by more specific provisions about their recognition, measurement and disclosure elsewhere in the Statement of Accounts e.g. any Statutory debts and payments. This results in different amounts for creditors and debtors being shown in the tables below compared to elsewhere in the Statement of Accounts.

The fair values calculated are as follows:

At 31 Mar 16 as restated			31 Mar 17	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Long and Short-term		
235,249	324,999	PWLB debt	227,929	338,421
245,411	412,588	Non-PWLB debt	245,170	473,445
0	0	Temporary Borrowing	30,000	30,000
480,660	737,587	Total Debt	503,099	841,866
(36,108)	(36,108)	Trade Creditors	(40,880)	(40,880)
444,552	701,479	Total Financial Liabilities	462,219	800,986

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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £338,421 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 (£110.492m) 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 £227.929m would be valued at £294.458m. 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 (£110.492m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £338.421m.

At 31 Mar 16 as restated			31 Mar 17	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
34	34	Money Market loans less than one year	34	34
190	190	Equity	190	190
10,022	10,022	Long-term Debtors	4,772	4,772
10,003	10,003	Sundry Debtors	15,181	15,181
6,295	6,295	Housing Rents	7,798	7,798
		Other Short-Term :		
25,160	25,160	Debtors	11,741	11,741
(9,365)	(9,365)	Bad Debts Provision	(6,171)	(6,171)
42,339	42,339	Total Loans and Receivables	33,545	33,545

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 2017 the Council had no material soft loans requiring disclosure within the Balance Sheet.

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 2017 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 have been subject to an administration process. The amounts and timing of payments to depositors such as the Council have been determined by the administrators.

The Council's claim under Heritable Bank's cross-guarantee with its former parent Landsbanki bank was finalised in 2015/16 at a maximum amount of £9k. This is currently held in an interest bearing Escrow account in Iceland, and 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. The Council did not receive anything in 2016/17.

Recognition in the CIES

There has been no impairment gain recognised in the Comprehensive Income and Expenditure Statement in 2016/17 as the remaining anticipated loss of interest to the Council until monies are recovered is now minimal (in 2015/16 it was less than £2,000).

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

Bank	Credited 2015/16 £	Received 2015/16 £	Credited 2016/17 £	Received 2016/17 £
Heritable	7,755	71,840	0	0

Note 30 Long-Term Investments

2015/16 £000		2016/17 £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

2015/16 £000		2016/17 £000
748	Balance at 1 April	747
5,599	Purchases	5,304
(5,672)	Recognised in year as an expense	(5,280)
72	Written on / (off) in year	(69)
747	Balance at 31 March	702

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 2017 (Nil 2015/16).

Note 33 Debtors

	Short Term		Long Term	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Central Government Bodies	8,723	9,817	0	0
Other Local Authorities	1,413	2,603	0	0
NHS Bodies	2,610	6,028	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	30,818	33,131	9,610	4,771
Total	43,564	51,580	9,610	4,771

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 16 £000		31 Mar 17 £000
21,549	Cash and Bank balances	29,129
(34,202)	Bank Overdraft	(32,911)
(12,653)	Total Cash and Cash Equivalents	(3,782)

Note 35 Creditors

	Short Term		Long Term	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Central Government Bodies	(5,629)	(6,526)	0	0
Other Local Authorities	(1,307)	(1,368)	0	0
NHS Bodies	(1,011)	(920)	0	0
Public corporations and trading funds	(4)	0	0	0
Other Entities and Individuals	(48,460)	(54,886)	(522)	(28)
Total	(56,411)	(63,700)	(522)	(28)

Note 36 Provisions

Current Year	Balance as at 1 Apr 16 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 17 £000
Insurance Claims	(6,859)	0	1,593	0	(5,266)
Compensation Payments	(893)	0	0	0	(893)
Severance Costs	(175)	0	176	0	1
Business Rates Appeals	(5,081)	0	1,855	0	(3,226)
Other	(1,060)	0	177	312	(571)
Total	(14,068)	0	3,801	312	(9,955)
Current Provisions	(6,541)	0	2,120	30	(4,391)
Long Term Provisions	(7,527)	0	1,681	282	(5,564)
Total	(14,068)	0	3,801	312	(9,955)

Comparative Year	Balance as at 1 Apr 15 £000	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)
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)

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 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 2017 will be settled in 2017/18.

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. We anticipate the majority of refunds provided for at 31 March 2017 will be made during 2017/18 and the provision has therefore been classified as a current provision.

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 2 and 3.

31 Mar 16 £000		31 Mar 17 £000
	CAPITAL RESERVES	
(25,009)	Capital Receipts Reserve	(27,422)
(3,873)	Major Repairs Reserve	(5,219)
(10,606)	Capital Grants Unapplied Account	(11,483)
	REVENUE RESERVES	
(3,684)	General Fund - Schools	(1,283)
(11,859)	General Fund - Non Schools	(11,268)
(57,003)	Earmarked Reserves	(40,687)
(27,932)	HRA	(35,156)
(139,966)	TOTAL USABLE RESERVES	(132,519)

(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 a 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, ring-fenced 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 16 £000		31 Mar 17 £000
	CAPITAL RESERVES	
(173,094)	Capital Adjustment Account	(224,896)
(87,932)	Revaluation Reserve	(131,489)
(98)	Deferred Capital Receipts	(98)
	REVENUE RESERVES	
330,031	Pensions Reserve	466,714
3,242	Short term accumulating absences account	4,485
95	Financial instruments adjustment account	184
(6,158)	Collection Fund adjustment account	(7,420)
66,086	TOTAL UNUSABLE RESERVES	107,480

(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.

2015/16 £000		2016/17 £000
(173,110)	Balance 1 April	(173,094)
	Debt Repayment	4,709
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
858	Amortisation of Intangible Assets	812
33,627	Charges for depreciation and impairment of non-current assets	(83,313)
5,464	Revenue expenditure funded from capital under statute	8,292
28,436	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	52,067
12,970	Depreciation - Major Repairs Reserve	33,446
(1,295)	Write down of Met Debt deferred Liability	(1,424)
	Adjusting amounts written out to Revaluation Reserve:	
(4,199)	Disposal	(13,824)
(1,751)	Excess of current cost depreciation over historic cost depreciation	(3,592)
	Capital Financing Applied in the year:	
(3,091)	Use of Capital Receipts Reserve to finance capital expenditure	(7,949)
0	Use of Capital Receipts Reserve to repay debt	(317)
(20,932)	Use of Major Repairs Reserve to finance capital expenditure	(18,630)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(19,318)	Application of grants to capital financing from the Capital Grants Unapplied Account	(16,487)
(5,338)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,551)
5,310	MRP holiday	5,511
(25,501)	To correct pre 07/08 MRP adjustment	0
(5,222)	Capital expenditure charged against the General Fund and HRA balances	(5,552)
(173,094)	TOTAL	(224,896)

(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.

2015/16 £000		2016/17 £000
(76,980)	Balance 1 April	(87,932)
(19,377)	Net revaluation gains/losses not charged to the Surplus /(Deficit) on Provision of Services	(65,775)
2,475	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	4,802
(16,902)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(60,973)
4,199	Accumulated Gains on assets sold or scrapped	13,824
1,751	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	3,592
(87,932)	Balance at 31 March	(131,489)

(c) Deferred Capital Receipts Reserve

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

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2015/16 £000		2016/17 £000
(102)	Balance 1 April	(98)
4	Transfer to the Capital Receipts Reserve of cash received	(0)
(98)	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 2017 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.

2015/16 £000		2016/17 £000
369,800	Balance 1 April	330,031
(51,883)	Remeasurements of the net defined benefit liability/(asset)	142,878
38,840	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	20,066
(26,726)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,261)
330,031	Balance 31 March	466,714

(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.

2015/16			2016/17	
£000	£000		£000	£000
	4,890	Balance 1 April		3,242
(4,890)		Settlement or cancellation of accrual made at the end of the preceding year	(3,242)	
3,242		Amounts accrued at the end of the current year	4,485	
	(1,648)	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		1,243
	3,242	Balance at 31 March		4,485

(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.

2015/16 £000		2016/17 £000
(7)	Balance at 1 April	95
	Movement in year:	
105	Premium and discounts	89
(3)	Soft Loans	0
95	Balance carried forward at 31 March	184

(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.

2015/16 CTAX £000	2015/16 NNDR £000	2015/16 Total £000		2016/17 CTAX £000	2016/17 NNDR £000	2016/17 Total £000
(5,962)	2,713	(3,249)	Balance 1 April	(7,045)	887	(6,158)
(1,083)	(1,826)	(2,909)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	1,147	(2,409)	(1,262)
(7,045)	887	(6,158)	Balance at 31 March	(5,898)	(1,522)	(7,420)

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

2015/16 £000		2016/17 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
14,151	Capital Grants credited to surplus or deficit on the provison of services	17,365
0	Net adjustment from sale of long term investments	0
6,520	Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,722
20,671		25,087
(539)	Interest received (cash basis)	(466)
34,559	Interest paid (cash basis)	33,265

Note 40 Cash Flow – from Investing Activities

2015/16 £000		2016/17 £000
62,788	Purchase of property, plant and equipment, investment property and intangible assets	47,343
0	Long term loans granted	0
(18,659)	Purchase of short term investments	0
190	Purchase of Long term investments	0
103	Capital Grants and Contributions Repaid	232
(6,524)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,722)
(18,829)	Capital Grants and Contributions Received	(17,703)
(551)	Other receipts from investing activities	(4,773)
18,518	Net cash outflow from Investing Activities	17,377

Note 41 Cash Flow – from Financing Activities

2015/16 £000		2016/17 £000
(49,000)	Cash receipts of short- and long-term borrowing	(108,199)
1,444	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	231
41,285	Repayments of short- and long-term borrowing	85,491
217	Other payments for financing activities	465
(6,054)	Net cash outflow from Financing Activities	(22,012)

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.

2015/16 £000		2016/17 £000
781,614	Opening Capital Financing Requirement Capital Investment	787,248
76,125	Property, Plant and Equipment	47,897
15	Investment Properties	5
283	Intangible Assets	298
7	Heritage Asset	0
5,464	Revenue Expenditure funded from Capital under Statute	8,292
863,508		843,740
	Sources of finance:	
(3,091)	Capital receipts to finance new capital expenditure	(7,949)
(19,318)	Government grants and other contributions	(16,487)
(20,932)	Major Repairs Allowance	(18,630)
	Sums set aside from revenue	
	Direct revenue contributions:	
(650)	General Fund	(87)
(4,572)	Housing Revenue Account	(5,466)
(5,869)	Minimum Revenue Provision	(5,903)
5,310	MRP holiday	5,511
(25,501)	To correct pre 2007/08 MRP adjustment	0
(1,637)	Write down of finance lease liability	(2,191)
(76,260)		(51,201)
787,248	Closing Capital Financing Requirement	792,538

2015/16 £000	Explanation of movements in year	2016/17 £000
(8,050)	Increase in underlying need to borrowing (unsupported by government financial assistance)	5,290
13,683	Assets acquired under finance leases	0
5,633	Increase in Capital Financing Requirement	5,290

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 16 £000	31 Mar 17 £000
Finance Lease Liability outstanding at start of year	(28,769)	(28,741)
Principal repaid in year	217	231
Less: Schools converting to academies Finance Lease Liability written off		9
New Liabilities arising in year	(189)	0
Balance outstanding at year end	(28,741)	(28,501)
Short Term Creditors	(234)	(249)
Long Term Liabilities	(28,507)	(28,252)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 16 £000	31 Mar 17 £000	31 Mar 16 £000	31 Mar 17 £000
Not later than one year	(3,086)	(3,233)	(234)	(249)
Later than one year and not later than five years	(12,824)	(12,983)	(1,007)	(1,011)
Later than five years	(117,342)	(113,943)	(27,499)	(27,241)

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

2015/16 £000		2016/17 £000
28,642	Land and buildings	27,753
390	Vehicles, Plant, Furniture and Equipment	336
29,032	Total	28,089

(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:

2015/16 £000		2016/17 £000
1,148	Within one year	1,345
2,027	Between one year and five years	2,914
5,259	After more than five years	5,114

The expenditure charged to service in 2016/17 in the Comprehensive Income and Expenditure statement in relation to these leases was £1.684m (£2.397m 2015/16).

(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 2017, 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 £15.372m 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 £4.656m. 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 £1.789m of PFI grant in support of this project in 2016/17. Payments during the year totalled £6.444m. 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 2016/17:

	31 Mar 16 £000	31 Mar 17 £000
Balance outstanding at start of year	(96,928)	(109,001)
Principal repaid in year	1,444	1,951
Add:		
Waste PFI Finance Lease Liability	(13,517)	0
Balance outstanding at year end	(109,001)	(107,050)
Short Term Creditors	(1,951)	(2,511)
Long Term Liabilities	(107,050)	(104,539)

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	14,617	2,511	10,482	27,610
Two to five years	63,270	11,628	40,432	115,330
Six to ten years	90,881	20,033	45,578	156,492
Eleven to Fifteen years	103,909	30,985	38,079	172,973
Sixteen to twenty years	86,877	25,872	23,938	136,687
Twenty one to twenty five years	66,153	14,764	10,675	91,592
Twenty six to thirty years	6,370	1,256	2,017	9,643

Note 45 Capitalised borrowing costs

The Council had £24,504 of capitalised borrowing costs during 2016/17 (£0 in 2015/16) the capitalisation rate used in 2016/17 was 4.22%.

Note 46 Contingent Liabilities

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. The incident has resulted in a litigation case against the council and is being dealt with by the Council's insurance section in conjunction with our appointed legal partners, Kennedys Law. Kennedys are in the process of compiling statements to assist the Council in defending the claim.

RMBC Transport Incident

A passenger sustained an injury whilst being transported in a Council Vehicle in December 2015. The case has resulted in a claim being made against the Council; this claim is being dealt with by the Council's insurance section in conjunction with the Council's claim handlers, Gallagher Bassett.

Note 47 Contingent Assets

The Council has no contingent assets.

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 2016 £	Income £	Expenditure £	Balance as at 31 Mar 17 £
Treeton Council School War Memorial	715	28	0	743
EJ Butland, Treeton Infants	622	27	0	649
Whiston Two Wars Memorial	600	109	0	709
Total	1,937	164	0	2,101

Trust Funds – Balance Sheet

2015/16 £		2016/17 £
	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	42
1,889	- Cash	2,058
2,287	Total Assets	2,450
	Financed by:	
350	- Fund Balance	350
1,937	- Accumulated Investment Interest	2,101
2,287	Total Equity	2,451

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.

HRA Depreciation and impairment of Non-Current Assets

The net credit on the HRA of £118.079m is mainly due to the partial reversal of previous revaluation losses on council dwellings that have occurred due to the government altering the social housing discount factor applied to the market price of houses in Yorkshire and the Humber to arrive at their value for social housing from 31% to 41% on 1 April 2016. This has produced a revaluation gain of £119.100m in 2016/17 offset in part by an additional depreciation charge arising as a result of the

revision of the social housing discount factor of £17.156m. Further detail is provided in Note 7 to the HRA on page 86 of the accounts

Schools

As shown in Note 18 of the accounts on page 41, £17.897m has been credited to the CIES in respect of settlements. This all relates to the transfer of pension liabilities from the Council when schools convert to academies and, as a consequence, has been credited in full to the "Schools" heading within the CIES.

Minimum Revenue Provision (MRP)

A change in MRP policy in 2014/15 to produce a fairer charge to revenue for present and future council tax payers in respect of pre 2007/08 debt identified that £34.783m of MRP had been overcharged in the period 2007/08 to 2014/15. The overcharge is being recovered by taking an MRP holiday as set out in Accounting Policy 15.

As at 1 April 2016, £20.191m of the overcharge had still to be recovered. As shown in Note 42 on page 72 of the accounts, a further £5.511m has been recovered in 2016/17.

Loss on disposal of non-current assets

The loss on disposal of non-current assets reported in Note 4 of £43.464m includes £43.870m 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 16 £000		31 Mar 17 £000	Notes
(107,048)	PFI Liability	(104,539)	44
(28,507)	Finance Lease Liability	(28,252)	43
(320,292)	Pension Liability	(466,714)	18
(7,272)	Deferred Liabilities	(5,705)	50
(463,118)	Total	(605,209)	

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 2017 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £7,271,577 comprising £1,566,807 maturing within one year and £5,704,770 after that date.

Note 51 Events after the Balance Sheet date

The draft Statement of Accounts was authorised for issue by the Judith Badger, Strategic Director of Finance and Customer Services on 29 June 2017. 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 2017, 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.

2015/16 £000		2016/17 £000	Notes
	Expenditure		
18,889	Repairs and maintenance	18,382	
19,322	Supervision and management	18,987	
267	Rents, rates, taxes and other charges	230	
31,796	Depreciation and impairment of Non Current Assets	(71,830)	
121	Debt management costs	116	
961	Provision for bad or doubtful debts	1,139	8
71,356	Total Expenditure	(32,976)	
	Income		
79,045	Dwelling rents	78,801	
775	Non-dwelling rents	776	
5,092	Charges for services and facilities	5,519	
84,912	Total Income	85,096	
(13,556)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(118,072)	
283	HRA services share of Corporate and Democratic Core	289	
(327)	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	(296)	
(13,600)	Net Cost of HRA Services	(118,079)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(1,880)	Gain on sale of HRA Non Current Assets	(445)	
13,784	Interest Payable and similar charges	13,555	9
(96)	Interest receivable	(101)	
484	Pensions interest cost and expected return on pension assets	491	10
(621)	Capital grants and contributions receivable	(262)	
0	Revaluation of Assets held for sale	193	
(1,929)	Surplus for the year on HRA services	(104,648)	

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.

2015/16			2016/17	
£000	£000		£000	£000
	(20,728)	Balance on the HRA at the end of the previous year		(27,932)
(1,929)		Surplus for the year on HRA Income and Expenditure Account	(104,648)	
(5,275)		Adjustments between accounting basis and funding basis under statute	97,425	
(7,204)		Net increase before transfers to or from reserves	(7,223)	
	(7,204)	Increase in year on the HRA		(7,223)
	(27,932)	Balance on the HRA at the end of the current year		(35,155)

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.

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:			
Reversal of Major Repairs Allowance credited to the HRA	(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 1 continued

2016/17	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	(105,341)	0	(105,341)
Capital grants and contributions applied	(262)	0	(262)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(445)	0	(445)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(5,466)	0	(5,466)
Adjustments primarily involving the Major Repairs Reserve:			
Transfer from HRA to Major Repairs Reserve re notional MRA	13,471	(13,471)	0
HRA Depreciation to the Capital Adjustment Account	0	33,446	33,446
Use of the Major Repairs Reserve to finance new capital expenditure	0	(18,630)	(18,630)
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	114	0	114
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,627	0	1,627
Employer's pension contributions and direct payments to pensioners payable in the year	(1,126)	0	(1,126)
Short-term Accumulated Absences Account	3	0	3
Total Adjustments	(97,425)	1,345	(96,079)

Note 2 Housing Stock at 31 March 2017

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,196	2,786	4,986
2 Bedroom	1,955	2,803	1,920	6,678
3 Bedroom	8,276	304	47	8,627
4+ Bedroom	262	9	0	271
Total	10,497	5,312	4,753	20,562

Note 3 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 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	(3,647)	0	0	0	(141)	(3,788)
Assets reclassified (to) / from Investment Property	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 - as restated	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

	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 16	515,883	14,832	491	2,631	9,531	543,367
Additions	23,238	300	0	1,251	0	24,788
Accumulated Depreciation and Impairment written out to gross cost/valuation	(50,918)	(789)	0	0	(2)	(51,708)
Revaluation increases/decreases to Revaluation Reserve	54,788	506	0	0	1,464	56,758
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	119,100	(66)	0	0	263	119,297
Derecognition - Disposals	(5,013)	0	0	0	(95)	(5,107)
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	(374)	(374)
Other Movements in cost valuation	2,873	(255)	0	(2,618)	0	1
At 31 Mar 17	659,952	14,528	491	1,263	10,786	687,023
Depreciation and Impairment						
At 31 Mar 16	(33,769)	(1,044)	(206)	0	(2)	(35,021)
Accumulated Depreciation written out to gross cost/valuation	29,250	468	0	0	0	29,718
Accumulated Impairment written out to gross cost/valuation	21,668	321	0	0	2	21,990
Depreciation Charge	(32,796)	(577)	(71)	0	(2)	(33,446)
Impairment losses/reversals to Revaluation Reserve	(3,027)	(294)	0	0	0	(3,321)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(13,675)	0	0	0	0	(13,675)
Derecognition - Disposals	79	0	0	0	0	79
Other movements in depreciation and impairment	(18)	18	0	0	0	0
At 31 Mar 17	(32,290)	(1,108)	(277)	0	(2)	(33,676)
Net Book Value						
At 31 Mar 17	627,662	13,420	214	1,263	10,785	653,346
At 31 Mar 16	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 16	1,558

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 4 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.

2015/16 £000		2016/17 £000
4,738	Balance as at 1 April	3,874
12,970	Depreciation in the year	33,446
7,098	Transfer to MRR	(13,471)
(20,932)	Financing of Capital Expenditure	(18,630)
3,874	Balance as at 31 March	5,219

Note 5 Financing of Capital Expenditure

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

	2016/17 £000
Borrowing Need	0
Capital Receipts	399
Revenue Contributions	5,466
Government Grants / Other Capital Income	294
Major Repairs Reserve	18,630
Total	24,789

During the year total capital receipts of £5.770m were received by the HRA, of which £3.647m was available to support capital expenditure within the Council

Note 6 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 2016 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years. An additional charge of £17.156m arose as a result of the social housing discount factor change.

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 2016 and has been calculated using the 'straight line' method over 15 years.

Note 7 Impairment

A net impairment charge reversal of £105.359m has been included in the HRA Income and Expenditure Account (£18.659m charge in 2015/16). This credit is reflected in the HRA Income and Expenditure Account in arriving at the surplus on the provision of HRA Services. Contained within that net change is the £119.100m reversal of valuation losses in respect of Council Dwellings. This is mainly due to the change in the regional adjustment factor used to determine the holding value of Council Dwellings.

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

2015/16 £000	Rent Arrears	2016/17 £000
3,581	Current Tenants	4,452
2,714	Former Tenants	3,344
6,295	As at 31 March	7,796

As at 31 March 2017, the level of rent arrears for current tenants as a proportion of gross rent income was 5.15% (2015/16 4.11%).

2015/16 £000	Bad Debt Provision in respect of rent income	2016/17 £000
3,734	As at 1 April	2,893
836	Increase in Provision	1,068
(1,677)	Utilised in year	(148)
2,893	As at 31 March	3,813

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

2015/16 £000	Bad Debt Provision in respect of the rechargeable repairs	2016/17 £000
540	As at 1 April	526
125	Increase in Provision	72
(139)	Utilised in year	(42)
526	As at 31 March	556

Note 9 Interest Payable and Other Charges

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

Note 10 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 2017

2015/16				2016/17			
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	Note
104,226		104,226	Council Tax Receivable	110,264		110,264	
	76,390	76,390	National Non-Domestic Rates (excluding write-offs)		75,400	75,400	2
	(97)	(97)	NNDR Transitional Payments		(468)	(468)	
104,226	**76,293**	**180,519**	**Total Income**	**110,264**	**74,932**	**185,196**	
			Precepts:				
85,891	36,509	122,400	Rotherham Metropolitan Borough Council	91,578	36,564	128,142	
0	36,651	36,651	Central Government		36,591	36,591	
9,701		9,701	- South Yorkshire Police and Crime Commissioner	10,285		10,285	
4,342	739	5,081	South Yorkshire Fire & Civil Defence	4,541	739	5,280	
99,934	73,899	173,833		106,404	73,894	180,298	
			Distribution of previous years surplus(defict):				
2,000	(1,972)	28	Rotherham Metropolitan Borough Council	4,000	(841)	3,159	
0	(2,013)	(2,013)	Central Government		(858)	(858)	
332	0	332	- South Yorkshire Police and Crime Commissioner	357		357	
149	(40)	109	South Yorkshire Fire & Civil Defence Authority	159	(17)	142	
2,481	(4,025)	(1,544)		4,516	(1,716)	2,800	
			Charges to Collection Fund:				
412	435	847	Write off of uncollectable amounts	626	555	1,181	
293	69	362	Increase in bad debt provision	(80)	578	498	
0	2,464	2,464	Increase in provision for appeals		(3,785)	(3,785)	
0	312	312	Cost of Collection		312	312	
			Adjust 15/16 Disregard		6	6	
0	155	155	Disregarded amounts		169	169	
705	3,435	4,140		546	(2,165)	(1,619)	
103,120	**73,309**	**176,429**	**Total amounts charged to the Collection Fund**	**111,466**	**70,013**	**181,479**	
1,106	2,984	4,090	Surplus arising during the year	(1,202)	4,919	3,717	
			Collection Fund Balance				
1,106	2,984	4,090	Surplus arising during the year	(1,202)	4,919	3,717	
6,500	(4,904)	1,596	Surplus brought forward	7,606	(1,920)	5,686	
7,606	(1,920)	5,686	Surplus carried forward	6,404	2,999	9,403	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 2016/17 is shown below.

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

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 97%
A	25,679	6:9	24,909
B	13,987	7:9	13,567
C	11,353	8:9	11,012
D	7,858	9:9	7,622
E	4,984	11:9	4,835
F	2,208	13:9	2,142
G	1018	15:9	987
H	63	18:9	61
	67,150		65,135

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 2016/17 was 49.7 pence in the pound and a small business rating multiplier of 48.4 pence in the pound (49.3 pence and 48 pence respectively in 2015/16).

The NNDR income in 2016/17 after allowing for mandatory and discretionary reliefs of £75.400m (76.390m 2015/16) was based on a total rateable value of £188.5m as at 31 March 2017 (£189.9m as at 31 March 2016).

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 2017 is a surplus of £9.403m (£5.686m surplus 2015/16) and consists of a £2.999m surplus (£1.920m deficit 2015/16) relating to business rates to be distributed to the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a £6.404m surplus (£7.606m surplus 2015/16) 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:

2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000		2016/17 Council Tax	2016/17 NNDR	2016/17 Total £000
7,045	(941)	6,104	Billing Authority – Rotherham MBC	5,898	1,469	7,367
0	(960)	(960)	Central Government	0	1,500	1,500
			Major Precepting Authorities:			
388	0	388	- South Yorkshire Police and Crime Commissioner	351	0	351
173	(19)	154	- South Yorkshire Fire and Civil Defence Authority	155	30	185
7,606	(1,920)	5,686	Total	6,404	2,999	9,403

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 (SYCC) Debt from 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

2015/16 £000	Capital Account	2016/17 £000
(36,877)	Cash at bank 1 April	(35,400)
(36)	Transfer (from) Financial Instruments Adjustments Account	(35)
0	Adjustment to loans outstanding for interest accruals	0
9,412	Add: Expenditure in the year – Loans repaid	10,000
(27,501)		(25,435)
	Less Income:	
0	Loans raised	0
7,899	Repayments by Relevant Authorities	8,405
(35,400)	Cash at bank 31 March	(33,840)

2015/16 £000	Revenue Account	2016/17 £000
5,241	Interest Paid on Outstanding Loans	4,511
50	Management and other expenses	50
5,291		4,561
	Less Income:	
169	Notional Interest	116
5,122		4,445
5,122	Recharge to Relevant Authorities	4,445
0		0

2015/16 £000	Balance Sheet as at 31 March	2016/17 £000
	Capital Liabilities	
88,540	Loans Outstanding	78,253
(35,400)	Cash at bank	(33,840)
53,140		44,413
	Capital Assets	
53,070	Advances Outstanding	44,378
	Reserves	
70	Financial Instruments Adjustments Account (FIAA)	35
53,140		44,413

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 16 £000	31 Mar 17 £000	31 Mar 16 £000	31 Mar 17 £000
Financial liabilities (principal amount) - PWLB	76,709	37,000	10,000	39,708
Financial liabilities at amortised cost - PWLB	76,709	37,000	11,831	41,253
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 16 £000		31 Mar 17 £000
11,831	Less than one year	41,253
39,709	Between one and two years	811
37,000	Between two and five years	36,189
88,540		78,253

Note 3 Financial Instruments – Fair Values

Fair Value of Financial Assets

At 31 March 2017 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 2016). 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 £84.383m 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 (£6.131m) 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 £78.253m would be valued at £83.226m. 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 (£6.131) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £84.383.

The fair values of the financial instruments are as follows:

31 Mar 16			31 Mar 17	
Carrying amount £000	Fair Value at Redemption rate £000		Carrying amount £000	Fair Value at Redemption rate £000
88,540	98,369	Financial Liabilities – Debt	78,253	84,383
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 2017) 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.

31 Mar 16 £000		31 Mar 17 £000
106	Balance at 1 April	70
	Movement in year	0
(36)	Premium and discounts	(35)
70	Balance carried forward at 31 March	35

Note 5 Authorised Limit and Operational Boundary

For the former SYCC, the Council's operational boundary for external debt for the year was £86.709m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £86.709m.

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 2016/17financial year and its position at the year-end of 31 March 2017. 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 2016/17 ("the Code"), 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.

Changes to Presentation of CIES

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 is based on that used to report internally to management rather than the standard headings prescribed in the Service Reporting Code of Practice (SeRCOP) which was used up to and including 2015/16.

As a consequence, cost of services in the CIES is now presented in the same way that the Council is organised, i.e. Adult Care and Housing, HRA, Children and Young People's Services, Schools, Regeneration and Environment Services, Public Health, Assistant Chief Executive, Finance and Customer Services and Central Services.

This affects the treatment of support service costs or overheads. Under SeRCOP, support service costs were apportioned out to front line services to determine the total cost of providing a service or presented as non-distributed costs where it was not appropriate to do

so. Under the new segmental reporting requirements, as support services generally fall within Assistant Chief Executive's or Finance and Customer Services they are presented in the CIES separately in their own right under these headings rather than apportioned out.

It is important to note that, although there has been a change in presentation, the income and expenditure in the CIES is still reported using total cost principles under international financial reporting standards not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

A new disclosure note "Funding and Expenditure Analysis" has been added as Note 1 to provide 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 together with additional disclosure on material reconciling adjustments.

The change in the presentation of the CIES represents a change in accounting policy. Accordingly, comparatives in the CIES have been restated so that they are on a like for like basis with the presentation of figures reported in 2016/17.

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.

Highways Network Asset

An update issued by CIPFA/LASAAC Local Authority Accounting Code Board on 8 March 2017 has postponed the adoption of the CIPFA Code of Practice on Transport Infrastructure Assets to account for the foreseeable future. Highways infrastructure assets will therefore continue to be measured on an historic cost basis as is currently the case rather than current value as was proposed.

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

As a result of the new segmental reporting requirements, due to the fact that support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer 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

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.

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.

Impairment of Assets

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Disposals

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation granting of a finance lease or transfer, or

- when no future economic benefits or service potential are expected from its use or disposal as a result, for example, of it being abandoned, scrapped or decommissioned.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. 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 classified 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 (i.e. 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 (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., 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.

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. From 2017/18, depreciation, revaluation and impairment losses will be determined in accordance with the new Item 8 Credit and Item 8 Debit (General) Determination” which comes into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

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 a 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. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. 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 (e.g., 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 affect 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 two accounting standards which will not be adopted by the Code until 2017/18. Both accounting standards relate to pension fund accounting and are not considered likely to impact on the Council's accounts.

As noted in Accounting Policy 2, the proposed change to the basis for measuring the highways network asset has been withdrawn by CIPFA for the foreseeable future

C) Critical Judgements in applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- 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 was £9.739m. A discount was given for doing this and has been apportioned over the two years on a pro rata basis.

- 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 onwards. A joint assessment was 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 £24.323m, of which the Council was allocated and recognised in its accounts £13.406m of income and £13.577m of expenditure, resulting in an over spend of £0.171m which was approved by the BCF Board to be supported by under spends elsewhere in the BCF programme.

- 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 2016/17 which may have to be refunded as a result of outstanding appeals as at 31 March 2017. The Council's share of £3.226m 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. 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.

Pensions liability

Included in the Council's Balance Sheet at 31 March 2017 is an estimated pensions liability of £466m. This compares to £320m at 31 March 2016 and £370m at 31 March 2015. 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.

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 rose 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.

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 a 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 policies 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 IMITATIVE (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 IAS24. 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 254510 :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 **كوردی 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 **اُردو**

اگر آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ھے تو برائے مھربانی 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.

Rotherham Metropolitan Borough Council

Public Report
Audit Committee Report

Summary Sheet

Council Report:
Audit Committee 19th July 2017

Title:
Annual Governance Statement 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 *(Strategic Director of Finance and Customer Services)*

Report Author(s):
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Assistant Chief Executive's Department
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David Webster *(Head of Internal Audit)*
Finance and Customer Services
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Ward(s) Affected:
All

Executive Summary:

The Council has produced a draft Annual Governance Statement (AGS) for the 2016-17 financial year which was published alongside the Council's financial statements on 30th June 2017. This report briefly sets out for the Committee the process that was followed to construct this AGS. The full draft AGS is attached to this report as Appendix A.

Recommendations:

- **The Audit Committee is asked review the draft 2016-17 Annual Governance Statement and raise queries if necessary**

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) in April 2016.
Audit Committee Report 8th February 2017 “Local Code of Corporate Governance”
Audit Committee Report 19th April 2017 “Annual Governance Statement Review for 2016/17”

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

Council Approval Required:
No

Exempt from the Press and Public:
No

Title:
Annual Governance Statement review 2016-17.

1. Recommendations:

1.1 **The Audit Committee is asked review the draft 2016-17 Annual Governance Statement and raise queries if necessary**

2. Background

2.1 The Accounts and Audit Regulations require the Council to produce an Annual Governance Statement (AGS) alongside its Statement of Accounts in each financial year. The AGS is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. Local Authorities are required to prepare an AGS in order to report publicly on the extent to which they comply with their own Local Code of Governance. The draft 2016-17 Annual Governance Statement was published on 30 June 2017.

2.2 A process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services and comprising the Head of Internal Audit, the Corporate Risk Manager, the Insurance and Risk Manager and the Assistant Director, Legal Services.

2.3 The assurance and evidence process produced a stronger evidence base than previous years to enable the Council to have confidence in the statements that it is making in the AGS. The AGS also includes updates to matters raised in the previous year's AGS. The draft AGS is attached to this report as Appendix A.

3. Process to construct the 2016-17 AGS

3.1 In constructing the AGS for 2016-17, the Council has assembled sufficient evidence to support the statements that it has made. To achieve this, each Strategic Director was asked to oversee a self-assessment of governance in their Directorate. This comprised the completion of a self-assessment form based on the Principles and Sub-principles in the Local Code by each Assistant Director as well as a review and update of the detailed issues raised in the 2015-16 AGS. Each Strategic Director was also required to sign a Statement of Assurance which was based on the information arising from their review of current and previous governance issues.

3.2 Each Directorate has returned the required Statement of Assurance and supporting documents and the Corporate Governance Group has reviewed the evidence contained in them. Additionally, the group has considered which issues are of sufficient significance to require reporting in the AGS.

3.3 The group then produced the AGS itself, which was reviewed by SLT, the Strategic Director Finance and Customer Services, the Assistant Director Legal Services and the Chief Executive.

Overall conclusion

3.4 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored.

3.5 The Committee will note that the AGS at Appendix A reaches an overall conclusion that "…*the Council demonstrated good governance and met its Best value duty throughout the year*". The AGS recognises the improvements made in the Council's performance throughout the financial year but also highlights a number of areas for further developments in 2017/18.

Next Steps

3.6 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.

3.7 The AGS will be updated by 30th September to reflect any issues that emerge between now and the completion of the final Statement of Accounts. It will also take account of any comments made by the Audit Committee and the external auditor.

4. Options considered and recommended proposal

4.1 This paper considers the draft AGS for 2016/17 and provides feedback on the progress to date. As a result, no specific options have been considered.

5. Consultation

5.1 All Strategic Directors have been asked for their input into the AGS process through the submission of signed Statements of Assurance.

5.2 The draft AGS has been reviewed by SLT, the Strategic Director Finance and Customer Services, the Assistant Director Legal Services and the Chief Executive.

6. Timetable and Accountability for Implementing this Decision

6.1 The Corporate Governance Group will ensure that the any issues raised by the Audit Committee, or the external auditors, and any emerging issues are addressed and updated as part of the completion of the final Annual Governance Statement for 2016-17.

7. Financial and Procurement Implications

7.1 There are no direct financial implications other than the requirement to publish the AGS alongside the Council's Annual Finance Statements. There are no procurement issues.

8. Legal Implications

8.1 There are no direct legal implications arising from this report, although it is a statutory required for an AGS to be published alongside the Council's Financial Statements. This report endeavours to set out how the Council intends to comply with that requirement.

9. Human Resources Implications

9.1 There are no Human Resources implications directly associated with the paper.

10. Implications for Children and Young People and Vulnerable Adults

10.1 Any implications for the Children and Young People's Service and Adults Services are set out in the AGS attached at appendix A.

11. Equalities and Human Rights Implications

11.1 There are no direct human rights or equalities implications in this report.

12. Implications for Partners and Other Directorates

12.1 There are no direct implications for our Partners in this report. The AGS has been constructed following consultation with all Directorates. Individual directorates are responsible for implementing action to respond to weaknesses identified in the AGS.

13. Risks and Mitigation

13.1 The AGS is expected to be completed each year to sit alongside the Financial Statements. The risk of failing to produce an AGS has been considered and, although this is a remote risk resources are in place to ensure that a complete an accurate AGS is delivered on time.

14. Accountable Officer:

14.1 Judith Badger *(Strategic Director of Finance and Customer Services)*

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Director of Legal Services: Dermot Pearson

Simon Dennis
Corporate Risk Manager

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

Appendix A DRAFT

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

Annual Governance Statement 2016/17

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2016/17

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. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide proportionate and not absolute assurance of effectiveness. 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 THE COUNCIL'S CURRENT GOVERNANCE ARRANGEMENTS

3.1 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 relating to licensing*[1]. By the start of the 2016/17 financial year, four Commissioners remained as the Managing Commissioner had left the Council at the end of January 2016 following the appointment of a substantive Chief Executive.

3.2 Throughout the 2016/17 financial year the Commissioner team continued to be led by Lead Commissioner Sir Derek Myers. Lead Commissioner Myers left the Council on 31 March 2017, following the return of additional powers to the Council (see Sections 3.6 to 3.8). The Lead Commissioner was assisted throughout the year by:

- Commissioner Mary Ney (Commissioner Ney became Lead Commissioner on Lead Commissioner Myers' departure at the end of the 2016/17 Financial Year)

- The Children's Social Care Commissioner: Commissioner Malcolm Newsam until 4 May 2016 and Commissioner Patricia Bradwell from May 2016

- Commissioner Julie Kenny CBE

3.3 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. Throughout the financial year these arrangements have been developed further as the Commissioner team and the scale of intervention has changed. Section 4 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.

[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.

3.4 During 2016/17 a Corporate Plan was produced, which set out the direction and priorities for the whole organisation for the year ahead. The vision for the borough was defined as

"Rotherham is our home, where we can 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 as a council we must 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".

3.5 To that end four priorities were set which were:

- 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

Each of these priorities was underpinned by a fifth priority, "A modern, efficient Council". The plan detailed how each directorate contributes to those priorities and included performance measures to be met.

Restoration of Powers

3.6 In February 2016 the Council made positive steps towards powers and accountabilities being restored and 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 were listed in last year's annual governance statement. In December 2016 Licensing powers were returned to the Council.

3.7 Further functions were recommended for return in November 2016 and in February 2017 the Communities Secretary stated that he was minded to return the following powers to the Council, which were actually returned in March 2017:

- Economic growth
- Town centre
- External partnerships
- Adult social care and the Council's partnership with the NHS*
- Grounds maintenance
- Audit

• the power of appointment of Council representatives to external bodies

The Commissioners may give formal Advice to the Members of the Cabinet before formal decisions are made. With the exception of Advice upon matters relating to adult social care and the Council's partnership with the NHS, this Advice is not binding, though a reason for not accepting it needs to be recorded. *When the relevant Commissioner provides formal Advice to the relevant Cabinet Member in relation to adult social care and the Council's partnership with the NHS the Advice must be followed as whilst the decision making function has returned to the Council, it is returned with a power of direction.

3.8 Commissioners currently retain executive responsibilities for: children's safeguarding and all other children's social care services; asset management; waste management; performance management; community safety and human resources. These will be subject to consideration during Summer 2017. The Commissioners also retain responsibility for deciding on the appointment and dismissal of statutory officers (the Head of Paid Service, Section 151 Officer and Monitoring Officer).

4 GENERAL CORPORATE GOVERNANCE ARRANGEMENTS AND THEIR OPERATION DURING THE YEAR

4.1 As noted in paragraph 3.3, 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. They are drawn together by the Council's Local Code of Corporate Governance which was approved by the Audit Committee in February 2017.

Elements of an effective Governance framework

4.2 The table below sets out the key elements of an effective Governance framework, all of which were in place in the Council throughout the 2016/2017 year.

Council Committee or group	Governance Function
Full Council	Approves the Corporate Plan and Improvement Plan Endorses the Constitution Approves the policy and financial frameworks
Cabinet	Primary decision making body of the Council Comprises the Leader of the Council and Cabinet members who have responsibility for specific areas
Audit Committee	Considers all issues relating to audit matters, both internal and external. Monitors and reviews the effectiveness of risk management systems, including systems of internal

	control
Standards and Ethics Committee	Promotes high standards of conduct by elected members and monitors the operation of the Members' Code of Conduct
Overview and Scrutiny Committees	Review and scrutinise the decisions and action taken in connection with any functions of the Council Make reports or recommendations to the Council or Cabinet with respect to the discharge of any functions of the Council
Chief Executive, Strategic and Assistant Directors	Set governance standards Lead and apply governance standards across the Council
Internal Audit	Performs independent and objective reviews of all areas of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work

4.3 The table below indicates the detailed governance arrangements in place during the year and their operation, with reference to the principles set out in both the CIPFA/SOLACE *Delivering Good Governance* Guidance applicable to 2016/17 and the Councils own local code:

Principle	**Arrangements at RMBC**
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	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 and Financial Services to ensure all relevant requirements and considerations are taken account of. The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy has been revised in line with current guidance. The Council's Member/Officer Protocol has been revised and adopted by the Council in October 2016. They have been communicated to all Members, and are emphasized through training on the Code of Conduct which forms part of the induction programme for Members and their continuous development programme. The Code of Practice, Officer/Member Protocol, constitution and Whistle-blowing Policy can be found at www.rotherham.gov.uk
Principle B - Ensuring openness and comprehensive	During Summer 2015 a series of public consultation exercises resulted in a new vision for the borough which was approved 28th October 2015. This vision featured at the heart of the 2016/17 Corporate Plan and has been carried forward into the

stakeholder engagement.	refreshed 2017/18 Council Plan, approved by Council in July 2017. Delivery of this new vision is embedded in day-to-day activities across the Council and is monitored through the performance management framework. 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 2016. 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. There is also a new Partnership, the Rotherham Together Partnership, which 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. The new Partnership strategy, The Rotherham Plan 2025, was published in early 2017. The Rotherham Plan 2025 can be found at www.rotherham.gov.uk The Corporate Plan can be found at www.rotherham.gov.uk
Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.	The Council has had a Corporate Plan in place throughout 2016/17 which set out the principal outcomes required in the course of the financial year. This has been monitored throughout the year in line with the Council's Performance Management Framework. This involves monthly and quarterly consideration of the performance indicators, the latter process being in public. Sitting alongside the Council Plan are numerous other strategies which set out more detail around the required outcomes. These include the Rotherham Housing Strategy, Rotherham Economic Growth Plan, Safer Rotherham Strategy, Rotherham Local Plan Core Strategy, Municipal Waste Management Strategy and the Rotherham Health and Wellbeing Strategy. Each Service area has a Service Plan which links to both the Corporate Plan and the relevant Strategies and these Plans are reviewed by individual Services.

	In addition to the above, the Council's Risk Management framework links to the Service Plans and enables Leadership Teams to monitor the risks around each key element of the overall plan that they are accountable for.
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.	As set out above, the Corporate Plan and associated Service Plans form the basis for all interventions planned by the Council. All Business decisions are accompanied by a business case and options appraisal and the corporate report templates require information explaining the legal and financial implications of decisions. Delivery of the Plans is monitored through Quarterly Monitoring Reports and Contract Monitoring Reports and the Council has Performance Reports which are aligned to the Corporate Plan priorities. All decisions need to be taken in the context of the Medium Term Financial Strategy, the Capital Programme and the Revenue budget process.
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.	The Council has been working with the Local Government Association to provide peer mentors for all Cabinet Members and Opposition Group Leaders during 2016/17 and this will continue into future years. Personal development planning is also now available to all Members and take up is encouraging at over 85%. Good progress has been made in developing officer leadership capacity. A new permanent Strategic Leadership Team structure is now embedded and almost all Assistant Director posts are permanently filled. Job descriptions are in place for all posts throughout the Council and these are supported by recruitment and appointment policies and procedures. There is a comprehensive training programme for officers linked to a Workforce Development Plan and the Corporate Workforce Strategy. Each Council employee has a Personal Development Plan which links to their service's Service Plan. Capacity to respond to increasing demand has been identified in a number of front line services. Plans are being developed to deliver service transformation across the Council which will enable these capacity pressures to be mitigated.
Principle F - Managing risks and performance	The Council has a Risk Management Policy and Guide which is embedded and reviewed annually. This Policy requires the Strategic Risk Register to be reviewed at regular intervals by

through robust internal control and strong public financial management.	the Strategic Leadership team and for Directorate and Service level risk registers to be reviewed monthly. Corporate report templates all contain 'risk implications' sections and Risk Management also links closely to Service Plans. The Audit Committee reviews risks and the Risk Management process quarterly. Performance Reports are aligned to Corporate Plan priorities and are considered in public and are also linked to the Risk Policy. The Council has an Anti-Fraud and Corruption Policy and Strategy which is frequently reviewed and an Internal Audit function which issues an annual opinion on governance, risk management and internal control. The council also has a Corporate Information Governance Group which is responsible for improving its approach to securing information. This group is supported by a dedicated Information Governance team as well as ongoing monitoring of Data Protection Act / Freedom of Information compliance
Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	Greater clarity was provided in the course of the year over when decisions require Cabinet and Council approval and when they are decisions for officers. The Monitoring Officer and S151 officer were involved in advising decision makers to address this issue and the Constitution was reviewed and updated during the year including Financial Regulations (now called Financial Procedure Rules [FPR's]) and Contract Standing Orders (now called Contract Procedure Rules [CPR's]). Training has also taken place on decision making, and more will be rolled out in the coming year. The Council has a Corporate Communications Strategy and this includes the publication on its website of details around budgets and spending, Senior Officer remuneration, Performance Information and reports, the Annual Report and Statement of Accounts and the Annual Governance Statement. The Local Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles and any document proposed for publication are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication. The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year and the Audit Committee meets five times a year and receives reports from both Internal and External Audit. The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The

	outcomes of these inspections, together with the Council's responses are made available via the website 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.

Monitoring the effectiveness of Governance Arrangements

4.4 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The ten key elements of assurance that inform this governance review are:

1) The Chief Executive, Strategic and Assistant Directors whose role includes:
   - Corporate oversight and strategic planning
   - Annual corporate governance assessment
   - Implement and monitor regulatory and other governance protocols

2) Monitoring Officer who has oversight of:
   - Legal and regulatory assurance
   - Monitors the operation of the Constitution

3) The Section 151 Officer who has oversight of the proper administration of the Councils financial affairs

4) Information Governance, which is monitored by:
   - The Designated Senior Information Risk Owner (SIRO)
   - Data Protection procedures
   - Information Security and Records Management procedures

5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry out scrutiny of specific topics

6) The Audit Committee which;
   - Reviews the effectiveness of internal and external audit
   - Considers the adequacy of the internal control, risk management and governance arrangements
   - Carries out a Self-assessment

7) Internal Audit who produce;
   - An Annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements

- An Internal audit plan, reports and action tracking reported to Audit Committee

8) External Audit / Inspections which include:
- Financial statements audit
- Value for Money reviews
- Other external inspections

9) Risk Management which incorporates:
- A Risk management policy and strategy
- Quarterly monitoring and reporting of Strategic Risks

10) Counter Fraud work, which includes:
- Anti-Fraud and Corruption and Whistleblowing arrangements
- Codes of Conduct for Officers and Members
- Financial and Contract Procedure Rules

The Council's Budget 2017/18 and Medium Term Financial Strategy

4.5 The Council's budget for 2017/18 includes £24m of savings to address the budget shortfall. This is on top of £138m of annual savings delivered between 2011/12 and 2016/17. Public consultation was carried out through December 2016 on the new budget savings proposals and they were considered by Overview and Scrutiny Management Board prior to Cabinet recommendation and approval by Council.

4.6 To help mitigate some of the pressures within Adult Social Care the Council took the opportunity to increase the 2017/18 Adult Social Care precept by the maximum 3% allowable announced by the Government, along with maximising its ability to raise income through Council Tax. The Council also approved the use of £5.3m of reserves to support budget plans in 2017/18.

4.7 The Council's revenue budget outturn for 2016/17 achieved a £2.7m underspend compared with the revised budget approved by Council in December 2016.

4.8 The Council is undertaking a number of cross-cutting reviews which demonstrate a more strategic approach where previously there has largely been an over-reliance on a traditional "top-slicing" approach. In future budgets there will be a stronger focus on delivering increased value for money as the Council continues to better understand its costs and compares itself with Councils elsewhere. These reviews will provide new budget proposals for 2018/19 and beyond to address some of the funding gaps in those years. The Council's 2017/18 Budget and Medium Term Financial Strategy can be found at www.rotherham.gov.uk .

Internal Audit

4.9 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 Head of Internal Audit) on the Council's internal control environment.

4.10 The Annual Internal Audit report will be presented to the Audit Committee on 19th July 2017. The report confirms positive progress had been made during the year, but also highlighted areas identified from the work of Internal Audit where further improvement could be made. In addition to matters referred to in paragraphs 5.17 in relation to Licensing Enforcement, these were:

- The response to previous audit recommendations
- Contracts management
- Arrangements around collection of debts from former tenants
- Arrangements for children leaving care.

4.11 Internal Audit concluded that the Council had maintained, overall, an adequate and effective framework of governance, risk management and control. However, significant areas that required urgent improvement were identified during the year. This meant that the opinion expressed by Internal Audit could not be applied consistently for all areas for all of the year. However it was noticeable that Internal Audit reports showed an improvement in assurance levels as the year progressed.

External Audit

4.12 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>

4.13 KPMG issued an unqualified opinion on the Council's financial statements for the 2015/16 financial year on 28th September 2016. 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 2016.

4.14 KPMG has identified no matters in its work done so far during 2016/17 to suggest it will not give an unqualified opinion on the Council's 2016/17 accounts, although KPMG's work is not yet complete.

External Audit Value for Money Conclusion

4.15 In relation to 2015/16, KPMG acknowledged the improvements to corporate governance arrangements that the Council had made since the initial intervention following the Jay, Ofsted and Casey Reports. However, because over half of the actions set out in the Corporate Improvement Plan had yet to be addressed before the end of the 2015/16 financial year, KPMG issued an "except for" Value For Money conclusion in respect of 2015/16 on 28th September 2016. This set out that, in their opinion, the Council had made proper arrangements for securing value for money, except for arrangements relating to "informed decision making".

4.16 KPMG expects to give a Value for Money Conclusion for 2016/17 by 30th September 2017.

5 UPDATE ON MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT FOR 2015/16

Commissioners' Twenty Four Month Progress Review

5.1 In February 2017, the Commissioners produced a twenty four month progress review to the Department for Communities and Local Government. The review showed that steady progress continued to be made, while confirming the significant challenges still to be addressed. The twenty four month review can be found at **www.rotherham.gov.uk**

5.2 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

5.3 The 2014 Ofsted inspection judged Children's Care Services as inadequate in every domain other than adoption which was judged as requiring improvement. The Annual Governance Statement for 2015/16 set out the details behind this judgement.

5.4 Following substantive completion of the urgent actions and outcomes required in response to the recommendations made by Ofsted in November 2014, a refreshed second improvement plan was agreed in September 2015 with a focus on longer term sustainable improvements.

5.5 The Children's Improvement Board continues to oversee progress of the Children and Young People's Services (CYPS) Improvement Plan through monitoring,

challenging and supporting officers. The Board considers the areas of greatest risk first, and lays the foundations for effective and sustained improvement. This includes challenging whether sufficient progress is being made.

5.6 A Regional Association of Directors of Children's Services (ADCS) Sector-Led Peer Review, which focused on Looked after Children (LAC) and care leavers, took place in October 2016. This followed a similar review on Leadership, Management and Governance undertaken in June 2016. Additional peer reviews led by practice partners, around Special Educational Needs and Disabilities (SEND) and social care 'front door' and Child Sexual Exploitation, took place in November 2016. Practice partners have also reviewed the Medium-Term Financial Strategy and commissioning arrangements.

5.7 Ofsted has commenced a series of monitoring visits, the first of which took place on the 20th and 21st October 2016 and there was a further monitoring visit on 9th and 10th February 2017. The action plan has been updated dynamically to incorporate the findings of all feedback elicited from peers and the regulator.

5.8 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. In recognition of this the Council approved an investment plan for Children's services in December 2016 which was set at the expected level required to achieve a sustainable children's service budget across the medium term. This investment took into account that a substantial proportion of the cost pressure is attributable to placements of looked after children and a reliance on agency staff and it will take time for the position to be recovered.

Child Sexual Exploitation – "The Way Forward for Rotherham 2015-2018"

5.9 The Children and Young People's Services Improvement Board Action Plan remains the primary mechanism for delivering improvement. However, three significant independent reviews of multi-agency CSE operations have provided a platform for culture change and improved multi-agency practice across the partnership. The next step is to drive forward improvements through a multi-agency action plan jointly owned by the children and adult safeguarding boards. This approach ensures that key learning in respect of responding to the needs of CSE victims applies across children, adolescents transitioning to adult services, and adult survivors. Relationships across agencies are improving and leaders are increasingly modelling behaviours conducive with effective joint working. Public

confidence and staff morale across agencies has been boosted by a steady stream of successful prosecutions for online, non-recent, and current CSE.

"A Fresh Start" Corporate Improvement

5.10 The first phase of the Council's Corporate Improvement Plan ('A Fresh Start') included 132 separate projects. The plan was divided into two phases, with the first to May 2016 focusing on establishing the core building blocks of an effective local authority. 84% (108) of the phase one actions were assessed as being substantively completed to the required timescales or standards by the end of May 2016.

5.11 A second phase of the Corporate Improvement Plan ('Phase Two Action Plan') from May 2016 was agreed by the Joint Board of Commissioners and elected members, which oversees the implementation of the plan, when it met on 23rd May 2016. This was further endorsed at the Cabinet and Commissioners' decision making meeting on 11th July 2016.

5.12 This 'Phase Two' plan further clarified the outline second phase actions and priorities set out in the original 'A Fresh Start' document, as well as ongoing areas of focus from phase one. The Phase Two plan includes 20 overall improvement objectives (and 99 specific milestones) to be delivered over the year to May 2017. It has a core focus on embedding strong leadership and a new culture across the organisation.

5.13 The Council is now approaching the conclusion of this phase of improvement activity. The most recent performance progress report covers activity up to June 2017 and sets out that 81 of the 99 measurable milestones in the 'Phase Two' action plan have been substantively delivered. This represents positive progress throughout the 2016/17 year across all the improvement plan's themes. Of the remaining 18 actions, 5 relate to ongoing activities (regular reports or programmes of events) with no set end date which have been assessed as 'on-track' and could now be regarded as complete if judged to be embedded within mainstream activities. 13 actions have been rescheduled as a result of recruitment difficulties or changing circumstances. These are still assessed as 'on-track' although completion will be after the original dates set out in the plan. No activity was highlighted as 'at risk'.

5.14 The Joint Board will meet again every other month for the remainder of 2017, to maintain its overview and challenge over the delivery of the remaining Phase Two programme actions. The Corporate Improvement Plan "A Fresh Start" can be found at www.rotherham.gov.uk

Taxi Licensing

5.15 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. The 2015/16 Annual Governance Statement reported that work was continuing to embed higher standards and performance of the licensing and enforcement service and a new structure is now in place to facilitate this.

5.16 A framework is in place to monitor performance and this shows most targets were achieved throughout the year. Where they were not met the risks are being managed and action taken to improve the position.

5.17 Internal Audit's follow up work in the summer of 2016 drew attention to the need to develop policies, procedures and work programmes for the Licensing Enforcement team and made further recommendations for improvement. Most of these have been addressed during the year.

5.18 As noted in paragraph 3.6, the licensing function was returned to Council control in December 2016.

Adult Social Care

5.19 The 2016/17 Annual Governance Statement reported that 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.

5.20 The recommendations from a peer review formed the basis of an action plan to implement improvement opportunities, developed by the Safeguarding Adults Board, which was implemented during 2015/16. The independent chair of the Board commissioned an independent consultant to develop a strategic plan for the Board, the recommendations from this plan were turned into an action plan. The action plan was then allocated to the relevant sub groups to progress during 2017.

5.21 The implementation of Liquid Logic (LAS) has highlighted some operational challenges in relation to pathways and these will be reviewed alongside the practical changes which are required. A review of the pathways took place in April 2017 and an improvement plan has been developed to track social work

performance and align this to an enhanced understanding of the customer cohort and spend data through the ContrOCC finance system. An Organisational Development plan will also complement this in order to ensure safe and robust practice.

Service Planning and Performance Management

5.22 The 2015/16 Annual Governance Statement reported that, 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 was a priority for 2016/17.

5.23 During 2016/17 the Council has had consistent Corporate Performance Management arrangements in place which have involved monthly, and public quarterly, reporting of indicators over the whole of its operations. Every service now has a current Service Plan and the Corporate Plan has now been refreshed as a Council Plan which focuses on the seventy six key performance indicators that the Council is committed to delivering.

5.24 Public quarterly reporting against the Council Plan targets will continue during 2017/18 and the Corporate Performance team is currently being strengthened. Service Planning and Performance Management Arrangements are now embedded throughout the Council.

Risk Management

5.25 Last year's Annual Governance Statement reported that following the actions taken in the Corporate Improvement Plan, detailed corporate and service risk registers were in place and subject to regular review. A priority for 2016/17 was to embed the refreshed arrangements and demonstrate the effectiveness of the arrangements.

5.26 In the course of 2016/17 the arrangements described in the 2015/16 Annual Governance Statement have remained in place. They have been reviewed by Internal Audit and determined to be adequate. In addition, the Risk Policy and Strategy has been refreshed in the course of the year, a substantial risk management training programme has been delivered and up to date Risk Registers are in place in each Directorate. As a result, Risk Management is deemed to be embedded within the Council, although work remains to be done to develop Risk Registers within the Council's Partnerships.

Major Project Developments

5.27 The Annual Governance Statement for 2015/16 referred to a series of substantial and major projects to improve systems and the services they support. Audit work in the year had identified that there were weaknesses in project and programme management. Two examples, implementation of a new social care system and a new integrated housing management system (IHMS), were audited during 2016/17. The IHMS audit revealed various process weaknesses that needed to be addressed through stronger project and programme management.

Procurement and Contracts Management

5.28 The Council gathered information to update its contracts register during 2015/16. The Annual Governance Statement for that year stated that this exercise 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.

5.29 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. In the course of the coming year the procurement team will progress more extensive market development work with commissioning teams.

Information Governance

5.30 In last year's Annual Governance Statement, significant weaknesses were highlighted in relation to the Council's management of information, including information security, from incidents reported during the year. These included 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. An Information Governance Group has been set up, chaired by the Senior information Risk Owner (SIRO) and a work programme developed to ensure continued improvement in all areas connected to information and data management and the Group will continue to address the risks associated with these issues in the course of 2017/18.

5.31 In the course of 2016/17 the Council failed to retain its Public Services Network certificate due to insufficient progress being made to action the previous years' requirements. This has not had any impact on the business of the Council but there is a risk that, should lack of progress continue, the Council's permissions to

share confidential data with other organisations could be removed. The new Assistant Director has developed an action plan and a number of actions have already been implemented.

5.32 Additionally, in the course of the year, it was identified that Freedom of information response times had deteriorated significantly over the previous year. This was immediately dealt with by the introduction of monthly detailed reporting to Strategic Leadership Team and further addressed by the new Head of Information Management. Year-end performance recovered to only 1% worse than 2014/15 and was significantly higher than the previous year.

6 OTHER SIGNIFICANT ISSUES ARISING DURING 2016/17

6.1 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 2017/18 and summarised in the Annual Governance Statement. All other issues arising during 2016/17 from other review processes, including Internal Audit work, have been included in the previous section as they were all mentioned in last year's Annual Governance Statement.

7 UPDATE SINCE JUNE 2017

7.1 This section will contain any significant issues arising between June and September 2017.

8 LEADER AND CHIEF EXECUTIVE STATEMENT 2016/17

8.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.

8.2 The Council has continued to make good progress on its improvement journey throughout 2016/17 and this is supported by the comments made by the Commissioners in their most recent progress review. Positive progress continues to be made on delivering the commitments made in the Council's Improvement Plans and this is further supported by the restoration of additional powers to the Council throughout 2016/17 by the Secretary of State. The new Strategic Leadership Team was fully in place by August 2016 and this Team has been at the forefront of driving the improvements made to date.

8.3 The Council Vision remains current and has been reflected in the Corporate Plan which has been in place throughout the year. This Plan has been monitored

through the new Performance Management framework which includes public reporting of Council performance against the Plan. A refreshed Council Plan is currently being finalised for approval in July 2017. The Medium Term Financial Strategy sets 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.

8.4 There continues to be clear and demonstrable progress as evidenced by the return of powers and the views of the Commissioners. Although there remain six service areas where powers are yet to be returned and there are improvement actions still to be completed at the time of writing, the evidence in place throughout the 2016/17 year supports a conclusion that, overall, the Council demonstrated good governance and met its Best Value duty throughout the year. The action plans in place, including the conclusion of the Year 2 Corporate Improvement Plan, will continue to drive further improvement throughout the coming year.

Signed ……	Signed ……
Councillor Chris Read,	**Sharon Kemp,**
Leader, Rotherham MBC	**Chief Executive, Rotherham MBC**
Date: XX September 2017	**Date: XX September 2017**

Agenda Item 7

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report
Audit Committee

Title
External Audit 2016/17 – Interim Audit Report

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)
Graham Saxton – Assistant Director, Financial Services
Finance & Customer Services Directorate
01709 822034 graham.saxton@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

The External Audit Plan attached as Appendix 1 sets out the audit approach KPMG are planning to take to discharge these duties.

Recommendation

That Audit Committee approves KPMG's Interim Audit Report.

List of Appendices Included
Appendix 1 – Interim Audit Report 2016/17

Background Papers
Code of Audit Practice 2015
Audit Fee letter 2016/17
Public Sector Audit Appointments work programme and scale of fees 2016/17

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

Council Approval Required
No

Exempt from the Press and Public
No

External Audit – Interim Audit 2016/17

1. Recommendation

That Audit Committee approves KPMG's Interim Audit Report.

2. Background

2.1 The National Audit Office's Code of Audit Practice 2015 (the Code) sets out the external auditor's statutory responsibilities in relation to local public bodies. These are to:

(i) Give an opinion on whether the Statement of Accounts gives a true and fair view of the Council's financial position and financial performance for the year being reported on and whether it has 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).

2.2 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 Interim Audit Plan attached as Appendix 1 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 Audit of the Financial Statements and Value for Money Conclusion

3.1.1 KPMG's External Audit Plan presented to Audit Committee on 19th April 2017 set out the stages of the financial statements audit process.

3.1.2 The Interim Audit Plan appended to this report summarises key findings arising from interim audit work in relation to the Council's 2016/17 financial statements and work done up to June 2017 to support the Value for Money (VfM) conclusion.

3.1.3 KPMG will report the outcomes from their audit of the financial statements and their Value for Money conclusion, in a report to Audit Committee in September (ISA 260 report).

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 in order to evidence that they have been addressed satisfactorily.

6. Timetable and Accountability for Implementing this Decision

6.1 The ISA 260 report has been scheduled for September to enable the Council to meet the statutory deadline for publishing its audited financial statements for 2016/17 by 30 September 2017.

7. Financial and Procurement Implications

7.1 There are no financial or procurement implications directly associated with the Interim Audit Report, other than the impact on the audit fee of having good quality working papers to meet KPMG's quality standards.

8. Legal Implications

8.1 None, other than to note that the External Audit Plan has been prepared 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 2016/17 against its improvement plan.

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:-

Assistant Director, Financial Services – Graham Saxton

This report is published on the Council's website

KPMG

Interim Audit Report 2016/17

ROTHERHAM MBC

DRAFT

11 July 2017

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Introduction

This document summarises the key findings arising from our work to date in relation to the audit of the Authority's 2016/17 financial statements and the 2016/17 VFM conclusion

Scope of this report

This report summarises the key findings arising from:

— our interim audit work at Rotherham Metropolitan Borough Council ('the Authority') in relation to the Authority's 2016/17 financial statements,; and

— our work to support our 2016/17 value for money (VFM) conclusion up to June 2017.

Financial statements

Our *External Audit Plan 2016/17,* presented to you in March 2017, set out the four stages of our financial statements audit process.

During March and April 2017 we completed our planning and control evaluation work. This covered:

— review of the Authority's general control environment, including gaining an understanding of the Authority's IT systems and testing general IT controls;

— testing of certain controls over the Authority's key financial systems;

— review of relevant internal audit work which we are seeking to rely upon; and

— review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year.

VFM conclusion

Our *External Audit Plan 2016/17* explained our risk-based approach to VFM work, which is set out in the Code of Audit Practice and supporting guidance published by the NAO and detailed our initial risk assessment.

We have completed some initial work in response to the risks identified during our interim visit.

Structure of this report

This report is structured as follows:

— Section 2 summarises the headline messages.

— Section 3 sets out our key findings from our interim audit work in relation to the 2016/17 financial statements.

— Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

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

Headlines

This table summarises the headline messages from our work to date. The remainder of this report provides further details on each area.

Organisational and IT control environment	The organisational and IT control environment is generally sound, however we have raised recommendations in the following areas: - Timely removal of leavers from IT systems - Appropriate approval of new joiners onto IT systems - Segregation of duty over the preparation and approval of journals
Controls over key financial systems	Controls over key financial systems are sound and we have not identified any issues to report.
Accounts production and specific risk areas for the Authority	We have worked closely with the finance team to confirm that they have appropriate processes in place to ensure the accounts and associated working papers are produced in accordance with reporting deadlines and our audit timeline, given that key members of the finance team have retired. To date we are satisfied that the finance team have plans in place to deliver the accounts on time.
VFM risks	We have identified two significant VFM risks in 2016/17: - Governance arrangements - Reserves and financial position. We have undertaken some work to date in response these risks and have provided our current conclusions below: - Governance Arrangements: Overall, indications from our work to date suggest that, arrangements in response to the improvement plan have been implemented, however we are still forming our conclusion on the embeddedness of arrangements throughout the year. Over the next few weeks we will be challenging management to demonstrate the degree of embeddedness of governance arrangements throughout the year. See further detail on page 10. - Reserves and Financial Position: At the time of writing the report we have not identified any issues that would indicate that the Council does not have proper arrangements in place to deploy resources on a sustainable basis, however we note that we still have some detailed work to complete in this area.

Organisational and IT control environment

Your organisational and IT control environment is effective overall.

However, we noted a number of areas were further improvements could be made:

- **Authorisation of new starter access to IT systems**
- **Disabling leavers from IT systems**
- **Segregation of duties in relation to journals**

Work completed

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

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

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Our testing covers the following IT systems:

- General Ledger (e5)
- Council Tax and Benefits (Northgate)
- Housing Management (UH)
- Payroll (Pse)

Key findings

We consider that your organisational and IT controls are effective overall, but noted a number of areas for further improvement (see Appendix 1 for our recommendations):

— Authorisation of new starter access to IT systems – we identified one instance where a new starter system access form had not been appropriately authorised. We identified one instance where a new starter system access form had been authorised by someone not on the authorisation list.

— Disabling leavers from IT systems – we found two instances where staff had left the Authority, but there had been delays in the appropriate form being sent from HR to IT to disable their access.

— Segregation of duties in relation to journals – Journal authorisation is undertaken outside of the general ledger, meaning there is no automated control to stop journals being posted without authorisation.

These weaknesses mean we will have to undertake additional substantive testing in relation to journals at year end to confirm that only appropriate officers have posted journals and the journals they have posted were correct.

Aspect	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2
System changes and maintenance	3
Development of new systems and applications	3
Computer operations and end-user computing	3

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

Controls over key financial systems

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

Work completed

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

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

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

Key findings

The controls over of the key financial systems are sound, and we have not identified any weaknesses which require reporting.

Financial system	Controls Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	3
Business rates income	3
Council tax income	3
HRA	3

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

Accounts production process

The Authority's overall process for the preparation of the financial statements is adequate.

Accounts production process

We issued our Accounts Audit Protocol to the Finance Team in April 2017. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. We discussed our requirements in detail in a meeting on 20 April 2017.

We continue to meet with the finance team on a regular basis to support them during the financial year end closedown and accounts preparation.

Key findings

We consider that the overall process for the preparation of your financial statements is good. As outlined in our audit plan, the significant changes to the finance team is an area of concern this year, due to the loss of staff with extensive experience in preparing the accounts. However, we have worked closely with the finance team to date and are currently satisfied with the plans they have put in place to deliver the accounts and associated working papers in line with our audit timeline.

Specific audit risk areas and areas of audit focus

The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Financial statements risk work completed

In our External Audit Plan 2016/17, presented to you in March, we identified the key audit risks affecting the Authority's 2016/17 financial statements.

Our audit strategy and plan remain flexible as risks and issues change throughout the year. To date there have been no changes to the risks previously communicated to you.

We have been discussing these risks with the Director of Finance and Finance Team as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Key findings

As part of our plan we identified the following areas of significant audit risk:

- Significant changes in the pension liability due to LGPS triannual valuation;
- Valuation of waste management PFI; and
- Changes in finance team staff.

We continue to work with the Authority to appropriately address these risks. The first two risk areas will be covered by our year end audit work as outlined in our audit plan. The final risk is an ongoing issue until the completion of the audit, although to date we have not identified any areas of concern.

Areas of audit focus

Within our audit plan we identified disclosures associated with retrospective restatement of CIES, EfA and MiRS as an area of audit focus. We have discussed the changes with the finance team, and reviewed their output to date. We are satisfied that the Authority has made appropriate arrangements to ensure the year end figures are not materially misstated. We will audit the disclosures in detail as part of the year end audit process.

Specific VFM risks

We have identified a number of specific VFM risks.

In some cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We will carry out additional risk-based work in the following areas:

— Governance arrangements

— Reserves and financial position

We have undertaken some work to date in response these risks.

Work completed

We have

— Assessed the Authority's key business risks which are relevant to our VFM conclusion;

— Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

— Considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas; and

— Concluded to what extent we need to carry out additional risk-based work.

Key findings

Below we set out our interim assessment/preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We will report our final conclusions in our *ISA 260 Report 2016/17.*

Specific VFM risks

We have identified a number of specific VFM risks.

In some cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We will carry out additional risk-based work in the following areas:

— Governance arrangements

— Reserves and financial position

We have undertaken some work to date in response these risks.

Governance Arrangements

— Risk (as per the audit plan presented in April)

The 'Report of Inspection of Rotherham Metropolitan Borough Council' (Casey Review) highlighted serious failings across the Authority in relation to governance. Five Commissioners were appointed by the Government in February 2015 to manage the Council. In February 2016 some decision making powers were returned to the Council following Government agreement that services were of predominantly good quality, well-run and have strong leadership in place. Housing, education, public health, planning, highways, leisure, cultural services and planning policy, along with control of budgeting in these areas, were returned to the control of Rotherham Council's Cabinet. Licensing powers were returned to the Authority in December 2016, with further powers set to return in March 2017.

The Authority continues to implement the actions within their improvement plan to address the concerns raised in the corporate governance report.

Given that the Authority regained part control in 2016, we will need to consider whether the new arrangements were sufficiently embedded throughout 2016/17 to impact on the Council's ability to achieve value for money.

— Interim/Preliminary assessment and work undertaken

At the time of reporting the Commissioners are still responsible for the following functions:

- Children's Services – The report to the Secretaries of State notes that 'Progress continues but there remains further work to do to ensure all individual work is done to a good standard.'
- Asset Management - Commissioners have issued a formal statement of their expectations for this particular function and its further improvement. An action plan has been developed but will take some months to implement.
- Human Resources (Personnel) - Commissioners have issued a statement of requirements. We note that the Council has appointed a new Head of HR to take forward the required actions.
- Commissioners' duty to appoint statutory officers in the Council – this responsibility will remain with commissioners for a further period.
- The ability to appoint Council representatives to External Bodies – this responsibility is due to be returned to the Council.

Specific VFM risks

We have identified a number of specific VFM risks.

In some cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We will carry out additional risk-based work in the following areas:

— Governance arrangements

— Reserves and financial position

We have undertaken some work to date in response these risks.

Governance Arrangements

— Interim/Preliminary assessment and work undertaken (continued)

The number of functions that have been returned to be the responsibility of the Council demonstrates the progress that the Council has made since the initial report was published. The Council has continued to work through the improvement plan and has now developed 'The Rotherham Plan: A new perspective 2025'. This sets out a strategic framework for the Council and its partners. We also note that the return of democratic elections and powers as an important step in this process. However the continued control and influence of the commissioners does indicate a weakness in corporate governance, and the ability for the Council to demonstrate effective arrangements in relation to informed decision making in these areas.

As part of our additional risk-based work, we have held interviews with each member of the Strategic Leadership Team to understand the progress made against the improvement plan and to identify areas where further action is required. It is clear from these meetings that the Council is progressing with the identified actions. However we note that the majority of the Leadership Team have only been in place for a year or less and that a number of functions (see previous page) still remain the responsibility of the Commissioners. The Leadership Team are still in the process of progressing actions to address the issues in their areas. Where actions have already been implemented to address issues, it will take time for these arrangements to become embedded.

Overall, indications from our work to date suggest that, arrangements in response to the improvement plan have been implemented, however we are still forming our conclusion on the embeddedness of arrangements throughout the year. Over the next few weeks we will be challenging management to demonstrate the degree of embeddedness of governance arrangements throughout the year. Although we note the strong position that the Council is in at the end of 2016/17, our conclusion needs to reflect the arrangements that have been in place throughout the year.

Specific VFM risks

We have identified a number of specific VFM risks.

In some cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We will carry out additional risk-based work in the following areas:

- Governance arrangements
- Reserves and financial position

We have undertaken some work to date in response these risks.

Reserves and Financial Position

- Risk (as per the audit plan presented in April)

  There are significant financial pressures facing the Council at present, and in future years. As at December 2016, the Council had identified an in year revenue overspend of £9.319m. There was also an increasing overspend on Dedicated Schools Grant which totals £5.393m. The majority of the financial pressures relate to Children's Services and Adult Social Care. Over the next two years, the Council needs to reduce its net spend by around £42m, including the need to deliver £24m of budget savings in 2017/18. These financial pressures will have a significant impact on the Council's reserves over the next few years. A Medium Term Financial Strategy was submitted to Council in December which included measures to address the overspend.

- Interim/Preliminary assessment and work undertaken

  The Council has now agreed the budget for 2017/18. There has been an increase in Council tax to help relieve the pressure from Adult Social Care and Children's Services. There is a significant savings requirement of around £24m and the Council plans to use £5.3m from reserves.

  We will review the Council's performance against the 2016/17 annual plan as we progress through our detailed audit of the financial statements, however we don't expect to identify any issues in relation to this that would impact on our VFM conclusion this year.

  The Council has also produced a Medium Term Financial Strategy. We plan to review this and assess whether the key assumptions are in line with our knowledge and expectation of the Council and the wider sector. We will also assess the level of reserves planned to be used during the period, and whether the remaining level will be appropriate for a Council of this size to continue to operate into a sustainable future.

  At the time of writing the report we have not identified any issues that would indicate that the Council does not have proper arrangements in place to deploy resources on a sustainable basis, however we note that we still have some detailed work to complete in this area.

Key issues and recommendations

We have identified three audit recommendations around the following areas:

- **Appropriate IT authorisation of new starters**
- **Timely removal of leavers from IT system**
- **Journals segregation of duties**

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

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

We will formally follow up these recommendations next year.

Priority rating for recommendations		
1 ***Priority one:*** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 ***Priority two:*** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 ***Priority three:*** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	**Appropriate IT authorisation for new starters** We tested a sample of 25 staff who had been given access to the general ledger. Of these, we identified one instance where there was no evidence of authorisation, and one instance where the person who had authorised the form was not on the authorisation list. Although we subsequently obtained evidence that both lots of approval were appropriate, they still represent a control weakness in the process. There is a risk that a user is granted inappropriate access to the general ledger, which could lead to fraudulent or erroneous postings. Staff should be reminded of the importance of appropriately authorising new joiner system access through completion of the required form. Members of the IT team should only grant a user access when there is an approved signatory authorising the access.	

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	2	**Timely removal of leavers from IT systems** We obtained a listing of all active users of the general ledger and compared this to a list of leavers per the HR system. We identified two instances where staff had left the organisation but still had access to the ledger at the date of our testing. We identified one instance where the user had not been disabled from the system, but had been made inactive so they would not be able to access the ledger. From conversations with IT staff, they are generally informed that someone has left the organisation at the end of the month. By not promptly removing user access rights, the Authority is at risk of malicious attack or fraud, especially if a leaver has a grievance with the Authority. Where a member of staff is working their notice, IT should be informed of their leave date in advance of them leaving and arrange for their access to be disabled on their leave date. Where a member of staff leaves with immediate effect, IT should be notified immediately so they can disable user access.	
3	3	**Segregation of duty in journals process** The authorisation of journals takes place outside of the general ledger (e5) through email approval by a relevant senior staff member. The preparation and posting of journals is performed by the same staff member within e5 with no automatic process for confirming the authorisation or ensuring appropriate segregation of duties is in place. There is a risk that the correct authorisation process is not followed and staff can post journals without them being authorised. It should however be noted that our testing did not identify any instances where this had occurred, hence the low priority recommendation We recommend that the Authority looks into whether the general ledger could be updated to include an authorisation step for journals. We recognise this may have to wait until the next significant ledger upgrade, and as such, until this time, random spot checks should be undertaken by a senior member of the finance team to confirm the process is being appropriately followed. These checks should be recorded and available as audit evidence.	

Appendix 2

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our Interim and Year End Audit Reports 2015/16 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year or superseded	2
Remain outstanding	0

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Agenda Item 8

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Summary Sheet

Audit Committee – 19 July 2017

Title:
Annual Treasury Management Report and Actual Prudential Indicators 2016/17

Is this a Key Decision and has it been included on the Forward Plan?
Yes

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director of Finance and Customer Services

Report Authors
Graham Saxton – Assistant Director of Financial Services
01709 822034 or graham.saxton@rotherham.gov.uk

Ward(s) Affected
All

Summary

At the Cabinet and Commissioners' Decision Making Meeting on 10 July 2017, Members agreed to recommend the Audit Committee receive the Annual Treasury Management Report and Actual Prudential Indicators 2016/17.

The report considered by the Cabinet is appended to this covering paper in order to comply with the recommendation to forward the Annual Treasury Management Report and Actual Prudential Indicators 2016/17 for information.

Recommendation

That the Annual Treasury Management Report and Actual Prudential Indicators 2016/17 be noted for information.

List of Appendices Included
Report to Cabinet and Commissioners' Decision Making meeting – 10 July 2017
'Annual Treasury Management Report and Actual Prudential Indicators 2016/17'

Background Papers
N/A

Consideration by any other Council Committee, Scrutiny or Advisory Panel
Cabinet – 10 July 2017

Council Approval Required
No

Exempt from the Press and Public
No

Rotherham Metropolitan Borough Council

Cabinet and Commissioners' Decision Making Meeting
Public Meeting

Summary Sheet

Council Report
Cabinet and Commissioners' Decision Making Meeting – 10 July 2017

Title
Annual Treasury Management Report and Actual Prudential Indicators 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 – Strategic Director of Finance & Customer Services

Report Author(s)
Tina Stankley, Finance & Customer Services
01709 822005 tina.stankley@rotherham.gov.uk

Ward(s) Affected
All

Summary
Council approved the treasury management strategy for 2016/17 at its meeting on 2 March 2016. Council also received a mid-year report at its meeting on 25 January 2017, representing a mid-year review of treasury activity during 2016/17.

The annual treasury management report is the final treasury report for 2016/17. Its purpose is to review the treasury activity for 2016/17 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2016/17 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.

Recommendations

That Cabinet

1.1 Note the Treasury Management Prudential Indicators out-turn position as set out in section 3 and Appendices A and B of the Annual Treasury Management Report for 2016/17.

1.2 Agree that the report is forwarded to Audit Committee for information

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
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 report will also be presented to the Audit Committee on 19 July 2017.

Council Approval Required
No

Exempt from the Press and Public
No

Annual Treasury Management Report and Actual Prudential Indicators 2016/17

1. Recommendations

That Cabinet

1.1 Note the Treasury Management Prudential Indicators out-turn position as set out in section 3 and Appendices A and B of the Annual Treasury Management Report for 2016/17.

1.2 Agree that the report is forwarded to Audit Committee for information

2. Background

2.1 The Council's treasury management activities are regulated by a variety of professional codes, 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 2016/17);
- 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 2016/17 for Rotherham MBC, 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 2016/17**

The Council incurs capital expenditure on long term assets. This 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, the impact of 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 2016/17 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 (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 (VRP).

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 2017**

Whilst the Council's gauge of its underlying need to borrow is the CFR, the Strategic Director of Finance and Customer Services can manage the Council's actual borrowing position by either:

- borrowing up to the limit of 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 2016/17 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 2016 under-borrowed position. The continued uncertainties driving the financial markets was such that the most prudent and cost effective approach was to continue to utilise temporary cash flow funds instead of borrowing.

Thus at 31 March 2017, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

Council's Treasury Position 2016/2017

Net Borrowing	**As At 31 March 2017 £m**	**As At 31 March 2016 £m**
External Borrowing		
Public Works Loans Board (PWLB)	226.306	233.598
Market (e.g. Banks, Other Local Authorities)	243.000	243.000
Temporary Borrowing	30.000	0
	499.306	**476.598**
External Investments		
Debt Management Office	0	2.680
Banks	0	1.500
	0	**4.180**
Net Borrowing	**499.306**	**472.418**

Against the Council's Capital Financing Requirement of £657.987m (excluding PFI and similar arrangements totalling £135.551m), the Council's outstanding net debt of £499.306m is lower than this Requirement by approximately £158m due to the Council's prudent and cost effective approach of utilising temporary cash flow funds rather than taking 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 2016/17 plus the expected changes to the CFR for 2017/18 and 2018/19. The Council complied with this prudential indicator throughout 2016/17.

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 in the actual financing costs as a proportion of net revenue stream. The General Fund ratio reduced from 6.46 (original budget) to 5.76 (actual out-turn). This was as a result of a combination of the actual net revenue stream for the year being higher than originally forecast and the actual MRP charge being lower than the original budget. The HRA ratio reduced from 16.43 (original budget) to 15.68 (actual out-turn). This was due to both the actual net revenue stream for the year being higher than originally forecast and the actual borrowing costs being lower than originally forecast.

3.2.5 Incremental impact of Capital Investment Decisions

These 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 has reduced significantly from the original budget of £17.06 to £11.88. This is due to the actual borrowing required in the year being substantially lower than anticipated. More capital grants have been available and these have been applied in funding the capital programme, thus replacing the need to borrow. None of the HRA capital investment was financed by borrowing in 2016/17 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 2017 – 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 2016/17.

Maturity structure of fixed rate borrowing during 2016/17 – 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 2016/17.

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 and Replacement Borrowing - Three new long term loans of £10m each were drawn by Rotherham MBC during the year,

- one loan was with the PWLB borrowed over 5 years at an interest rate of 1.05%, (replacing a maturing loan)
- the second loan was with Siemens taken over 15 years at 2.66% (replacing a maturing loan)
- and the third loan was a new loan with the London Borough of Wandsworth taken over 2 years at 0.70%

This has given an overall average rate of 1.47%. The total long term borrowing taken was lower than the budget assumption for new & replacement borrowing in the financial year.

During the year temporary borrowing (maximum 3 months) was taken up on seven occasions to manage the Council's cash flow position. Of these short-term loans, three have been fully repaid in the year; one loan has been rolled over at the end of its 3 month term twice. It remains outstanding at the year-end, along with 3 other temporary loans.

Rescheduling – No rescheduling took place in 2016/17 due to the continuing market conditions which are unfavourable to debt rescheduling.

Debt Repayment – Four loans totalling £35m matured during the year as shown in the table below. Part repayments of principal (£2.278m) continued on the Annuity and Equal Instalment of Principal (EIP) loans taken up in prior years.

Debt Repayments 2016/17

Lender	Principal £m	Type	Interest Rate	Average rate of interest
PWLB	5.000	Fixed rate	2.18%	
PWLB	10.000	Fixed rate	0.69%	
Siemens	10.000	Fixed rate	3.22%	
Siemens	10.000	Fixed rate	3.14%	
PWLB EIP	2.000	Fixed rate	3.46%	
PWLB EIP	0.130	Fixed rate	1.89%	
PWLB Annuity	0.148	Annual repayments	Various	
Total:	**£37.278**			**2.37%**

The overall debt activity resulted in a slight decrease in the average interest rate on the Council's debt portfolio of 0.03%, from 4.20% to 4.17%. This has arisen as loans have matured (shown in the table above) and have been replaced with loans with lower interest rates.

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 2 March 2016. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of funds on deposit of £16.2m and received an average return of 0.23%. When compared to the local measure of performance the average return was slightly higher the average 7 day LIBID rate for 2016/17 of 0.20%.

3.4 **FORMER SOUTH YORKSHIRE COUNTY COUNCIL**

No new borrowing or rescheduling took place during 2016/17, whilst one loan of £10m matured during the year. Thus at 31 March 2017, external debt, all with the PWLB, totalled £76.709m. The average interest rate on the debt is 5.42%.

The Former South Yorkshire County Council had no investments at 31 March 2017, the same position as at 31 March 2016.

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 2016/17

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 The report demonstrates 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

Approvals Obtained from:-

Strategic Director of Finance and Customer 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 £m	Revised Estimate £m	Original Estimate £m
1	**Capital Expenditure (excluding PFI & Finance lease liabilities)**	**56.490**	**58.396**	**68.304**
2	**Capital Financing Requirement (CFR) including PFI & similar liabilities:**			
	General Fund	488.413	492.654	463.098
	HRA	304.125	304.125	306.445
	Total	**792.538**	**797.150**	**803.088**
3	**Net Borrowing compared to CFR excluding PFI & similar liabilities:**			
	Total Borrowing	499.306	483.132	490.805
	Total Investments	0.000	20.000	20.000
	Net Borrowing	499.306	463.132	470.805
	CFR	656.987	661.555	667.654
	Under-borrowing	**157.681**	**192.908**	**193.353**
4	**Net Borrowing compared to CFR including PFI & similar liabilities:**			
	Borrowing (from above)	499.306	483.132	490.805
	Borrowing (PFI etc.)	135.551	135.555	135.434
	Total Borrowing	634.857	618.687	626.239
	Total Investments	0.000	20.000	20.000
	Net Borrowing	634.857	598.687	606.239
	CFR	792.538	797.150	803.088
	Under-borrowing	**157.681**	**198.463**	**196.849**
5	**Authorised Limit for external debt**			
	Assumed Borrowing	700.700	700.700	698.201
	PFI & similar liabilities	137.588	137.588	137.588
	Authorised Limit	838.288	838.288	835.789
	Total Borrowing	634.857	618.687	626.239
	Borrowing Below Limit	**203.431**	**219.601**	**209.550**
6	**Operational boundary for external debt**			
	Assumed Borrowing	482.761	482.761	490.805
	PFI & similar liabilities	137.588	137.588	137.588
	Operational Boundary	620.349	620.349	628.393
	Total Borrowing	634.857	618.687	626.239
	Borrowing Below/(Above) Boundary	**-14.508**	**1.662**	**2.154**
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**	5.76	5.93	6.46
9	**Ratio of financing costs to net revenue stream – HRA**	15.68	15.98	16.43
		£	£	£
10	**Incremental impact of capital expenditure plans on the Band D Council Tax**	11.88	17.00	17.06
11	**Incremental impact of capital expenditure plans on housing rents levels**	0.00	0.00	0.00

12	**Maturity Structure of Fixed Rate Borrowing**	Actual %	Revised Upper Limit %	Original Upper Limit %
	Under 12 Months	4.26	35	35
	12 months to 2 years	5.33	35	35
	2 years to 5 years	11.29	40	40
	5 years to 10 years	7.35	40	40
	10 years to 20 years	6.43	45	45
	20 years to 30 years	6.03	50	50
	30 years to 40 years	12.00	50	50
	40 years to 50 years	26.00	55	55
	50 years and above	21.31	60	60

13	**Upper Limit on fixed interest rates based on fixed net debt**	Actual %	Revised Upper Limit %	Original Upper Limit %
		73.76	100	100

14	**Upper Limit on variable rates based on fixed net debt**	Actual %	Revised Upper Limit %	Original Upper Limit %
		26.24	30	30

APPENDIX B

Summary Prudential Indicators: Former South Yorkshire County Council

		Actual £m	Revised Estimate £m	Original Estimate £m
1	**Authorised Limit for external debt**			
	Authorised Limit	86.709	86.709	86.709
	Total Borrowing	76.709	86.709	86.709
	Borrowing Below Limit	**10.0**	**0**	**0**
2	**Operational boundary for external debt**			
	Operational Boundary	86.709	86.709	86.709
	Total Borrowing	76.709	86.709	86.709
	Borrowing Below Boundary	**10.0**	**0**	**0**

3	**Maturity Structure of Fixed Rate Borrowing**	**Actual %**	**Revised Upper Limit %**	**Original Upper Limit %**
	Under 12 Months	51.76	25	25
	12 months to 2 years	1.06	50	50
	2 years to 5 years	47.18	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

Council Report
Audit Committee – 19th July 2017.

Title
Internal Audit Quality Assurance and Improvement Programme (QAIP).

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
David Webster, Head of Internal Audit
Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected
All wards.

Executive Summary
Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. It is therefore important that it operates in conformance with Public Sector Internal Audit Standards.

An internal self-assessment was completed in January 2017 which showed partial conformance with those standards. As a result the attached Quality Assurance and Improvement Programme has been produced to address the areas where conformance was not achieved.

The Improvement programme will be implemented throughout the year and progress will be reported to the Audit Committee.

Recommendations
The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to the February committee.

List of Appendices Included:-
Appendix A Quality Assurance and Improvement Plan

Background Papers
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.

Exempt from the Press and Public
No.

Title: Internal Audit Quality Assurance and Improvement Programme 2017.

1. Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to the February committee.

2. Background

2.1 Internal Audit are required to operate in accordance with the Public Sector Internal Audit Standards. Those standards require the existence of a Quality Assurance and Improvement Plan.

2.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. A self-assessment was completed in January 2017 and the results reported to the Audit Committee. Where conformance to the standards was not achieved actions were generated which in total comprise the Improvement Action Plan for 2017.

3. Key Issues

3.1 The detailed results of the self-assessment and resultant actions are given in Appendix A.

3.2 Implementation has already begun on some actions. Others will be progressed throughout the year. The introduction of integrated audit software will have a long term benefit in helping to enhance and enforce standards, however the initial stages of introduction will mean that audit documentation such as the procedures manual will need to be revised.

4. Options Considered and Recommended Proposal

4.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP that has been put in place and is being implemented.

5. Consultation

5.1 None.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its 19th July 2017 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 Customer 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.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no direct implications for Children and Young People.

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 risk has been identified.

Risk	Impact	Likelihood	Mitigation
Meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS).	Low	Low	Internal assessment showed areas where standards are not currently met. Produce and implement Quality Assurance and Improvement Plan.

14. Accountable Officer

David Webster, Head of Internal Audit.

Rotherham
Metropolitan
Borough Council
Where Everyone Matters

Rotherham Metropolitan Borough Council

Internal Audit
Quality Assurance and Improvement Plan

1 Introduction and Background

1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.

1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1.3 The QAIP must include both internal and external assessments.

1.4 Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.

1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.

1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.

1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.

1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:

- Performs its work in accordance with its Charter, which is consistent with the PSIAS
- Operates in an efficient and effective manner
- Is adding value and continually improving its operations

2 External Assessment

2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.

2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.

2.3 At the end of 2015 a wide ranging external review of Internal Audit was completed by PwC, including an assessment against PSIAS. The results were reported to the Audit Committee in January 2016. 19 recommendations were made for improvement. By November 2016, 10 of the recommendations had been completed, 3 were rated green (certain to be achieved) and 6 were rated amber (in progress / on target).

2.4 The results showed non-conformance against PSIAS. One of the recommendations was that an improvement plan should be developed that brings about the necessary improvements to meet the PSIAS requirements. RMBC Internal Audit reviewed their report and considered there were 76 actions to be taken to meet full compliance. By November 2016, 47 of those actions were rated green and 29 were rated amber.

3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

3.1 Ongoing quality assurance arrangements

3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.

3.1.2 Assignment level

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
- The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences
- The results of all audit testing documented using standard working papers
- Documented review of file and working papers by a Principal Auditor to ensure that:
    - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
    - Audit files are complete and properly structured;

    - The objectives of the audit have been achieved;
    - Appropriate levels of testing have been carried out;
    - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
    - The audit report is complete, accurate, objective, clear, concise, constructive and timely
- Supervision of audit assignments
- Regular monitoring of progress of audit assignments
- Draft reports and recommendations are reviewed and approved by the Head of Internal Audit.
- Client View Questionnaires are issued with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

3.1.3 Internal Audit department level

- The Internal Audit annual plan is produced using a risk based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including
    - Job descriptions for each post
    - Annual performance appraisals, to include assessment against audit competencies
    - Individual development plans based on the results of the appraisals
- Performance against agreed quality targets reported to the Audit Committee at each meeting

3.1.4 Integrated Audit Software

The department is currently transitioning to integrated audit software supplied by Morgan Kai. This will enhance and enforce quality assurance at both assignment and departmental level, but will necessitate the revision of departmental documentation and the audit procedure manual.

3.1.5 Reporting to the Audit Committee

At each meeting Internal Audit provides the Audit Committee with a Progress Report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations

- Performance Indicators for the department

3.2 Periodic Reviews

3.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS completed by the Head of Internal Audit using a checklist developed by the Chartered Institute of Internal Auditors.

3.2.2 The results of the self-assessment are used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.

3.2.3 Results are also used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the Audit Committee.

3.2.4 An annual self-assessment against the standards was completed in January 2017 and the results reported to the Audit Committee in February 2017. The Internal Audit Service was assessed as partially conforming, an improvement on the previous year. Partial conformance means the department is making good faith efforts to comply with the requirements but falls short of achieving some major objectives. These represent significant opportunities for improvement in effectively applying the standards.

3.2.5 The partial conformance is not considered to impact on the effectiveness of the service, and the service complies with the Standards in all significant areas and operates independently and objectively. The assessment resulted in the development of a QAIP to continue the improvement.

3.2.6 An Improvement Action Plan has been produced to address the individual areas identified as requiring improvement, see Appendix A. Progress will be monitored and reported to the Audit Committee during the year and a further self-assessment completed in early 2018.

Quality Assurance and Improvement Plan – 2017/18

Actions from assessment January 2017 – questions not scored as conforming

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1000	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	The internal audit (IA) activity has a formal definition of its purpose, authority and responsibility, which recognises the IIA definition of IA. Whatever document provides the formal definition will be the "internal audit charter" for the purposes of the standards - no matter what the document is actually called. The charter: • Establishes the position and reporting lines of IA within the organisation - both functional and administrative reporting lines.	The Charter defines the terms 'board' and 'senior management', but does not explicitly establish reporting lines.	Make reporting lines explicit in next revision of the Charter.	Sept 2017	DW
1100	The internal audit activity must be independent, and all internal auditors must be objective in performing their work.	IA role and relationships with regard to other assurance providers, inside and outside the organisation is established and documented		To be developed	2017	DW
1100	The CAE must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The CAE must confirm to the board, at least annually, the organisational independence of the internal audit activity.	Audit committee holds private meetings with the CAE. Audit committee approves decisions regarding the performance evaluation of the CAE		Annual meeting held in April 2017. HIA appraisal to be reviewed by the Chair of Audit.	Apr 2017 May 2017	DW DW
1111	The CAE must communicate and interact directly with the board.	One to one sessions between the CAE and the board are planned into the annual timetable, either as part of the annual schedule of meetings or through the agreed working relationship between CAE and chair of the board.		First annual meeting held in April 2017. Included in the annual schedule.	April 2017	DW

		This occurs at least annually.				
Ref	**Standard**	**Key Conformance Criteria**	**Conformance**	**Planned Action**	**Timescale**	**Person Responsible**
1210	Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.	There is a job description or person specification for each post with the IA organisation structure that defines appropriate knowledge, skills and experience. The job descriptions/person specifications are reviewed periodically or when positions become available. The knowledge, skills and competencies referred to might include: • Applying internal audit standards, procedures, and techniques in performing engagements. • Accounting principles and techniques if internal auditors work extensively with financial records and reports. • Knowledge to identify the indicators of fraud. • Knowledge of key information technology risks and controls and available technology-based audit techniques. • Communication and networking skills. • Managing people.	These are not specified in detail in the job descriptions.	Job descriptions to be amended to include specific IA responsibilities.	Summer 2017	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1210.A1	The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.	A process exists that identifies individual internal auditor training and development needs with support for qualification programmes and other training and development activities. Internal auditor performance is reviewed on a regular basis, the results of which feed back into the needs assessment and CPD process.	Annual appraisals (PDRs) have been completed for all members of the team. These include development needs, but not how they will be achieved. One team member is studying for CIIA, another for CIPFA, both supported by the Council.	Development needs to be linked to training.	Summer 2017	DW
1220	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.	An Audit Manual existed but had not been fully updated since 2007. Now being comprehensively reviewed and updated. Some updates were communicated separately in 2015.	Completion of review of Audit Manual ready for software implementation, and needed again after implementation to reflect changes.	Spring 2017 December 2017	DW DW
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.	Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other Computer Aided Audit Techniques (CAATs).	CAATS not used.	Develop use of CAATS	2017	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1230	Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	There is a process to assess the training and development needs of internal auditors that provides input to the continuous professional development (CPD) programme required by the Institute. The process may be based upon the organisation's staff appraisal procedure but centres upon the development of professional proficiency and the changing demands upon the profession.	Annual appraisals completed for all staff, leading to identification of training needs. Programme of departmental training identified for 2016/17, but not delivered. Individuals are responsible for update of their own CPD. A record is kept within the dept.	Link between appraisals, training needs and CPD.	2017	DW
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Stakeholder expectations and the results of consultations with staff are documented.	Not documented.	Needs more feedback from stakeholders	2017	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity. Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF Managers and the QAIP examine the application of policies and procedures – there is evidence to support supervision and quality management. Internal auditors meet to discuss the application of policies and procedures – with agreed actions.	Audit Manual, Audit Charter. In the process of procuring integrated audit software which will help regulate this. Needs more communication to auditors There is ongoing review of work, showing supervision and quality management. Team meetings are held, but more needed.	Manual, Charter, policies need better communication to the team. Reliance has been placed on experience. Briefings and team meetings to be instigated.	2017	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2110 2110.A1	The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: • Promoting appropriate ethics and values within the organisation; • Ensuring effective organisational performance management and accountability; • Communicating risk and control information to appropriate areas of the organisation; and • Coordinating the activities of and communicating information among the board, external and internal auditors, and management. The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes, and activities.	IA reviews the activities in place that manage and monitor the effective implementation of the organisation's; • Ethics and values. • Codes of conduct. • Levels of authority and responsibility. • Strategic objectives. • Compliance with laws and regulations. • Communication with stakeholders. • Social and ethical objectives, including validation of reported results. • IT governance, including information security.	Not ethics Not levels of authority and responsibility. Not communications Not social and ethical objectives.	Full coverage of governance to be included in the Annual Plan for 2017/18	DW	Spring 2017
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	IA evaluate the potential occurrence for fraud as part of audit engagements – included within objectives and referred to in communications at the end of the audit engagement.	Consideration of fraud not included in all audit scopes. Now added to scoping document. A fraud risk register is currently being developed.	Complete and issue the fraud risk register.	DW	2017

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.	Internal auditors support management upon the design of controls at appropriate points in the development of major change programmes – examples would include implementation of new computer systems, building and supply contracts.	More involvement needed in change programmes.	Better liaison with DMTs during 2017/18, with the aim of improving IA involvement in change programmes.	DW	2017
2201	In planning the engagement, internal auditors must consider: • The objectives of the activity being reviewed and the means by which the activity controls its performance;	Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy. Internal auditors document the following as part of their research and discussions with managers • The nature of the area under review and key areas of change and development • The activities that occur and the way performance is monitored.	Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit. Yes/no. Key areas of change may not routinely be covered. Yes/no. Performance elements of activity may not be considered.	Improvements to scoping to ensure all relevant areas area covered.	Summer 2017	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.	The preparation for audit engagements leads to the documentation of objectives that are agreed with senior management and where appropriate clients outside the organisation. Options include: • Assurance that management assurance is effective and, therefore, reliable. • Assurance that specific responses, including controls, are effective in managing given risks. Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls.	Outside organisations to be updated (academies)	Arrangements for auditing academies to be reviewed.	2017	DW
2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and Computer Aided Audit Techniques (CAATs).	Reports are obtained where applicable. CAATS are not used.	Explore the possibility of using CAATS in 2017/18	2017	DW
2340	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	The results of supervision are incorporated into the QAIP and staff appraisal assessments – and where appropriate training and development plans.	To be completed.	Refer results of reviews into QAIP and individual training requirements.	2017	DW
2420	Communications must be accurate, objective, clear, concise, constructive, complete, and timely.	The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.	No. Have tended to be based on good practice / examples / templates from other authorities.	To be presented to senior management and audit committee.	2017	DW

Agenda Item 10

Rotherham Metropolitan Borough Council

Public Report

Summary Sheet

Council Report:
Audit Committee 19th July 2017

Title:
Audit Committee Prospectus and Forward Work Plan 2017/18

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):
David Webster, Head of Internal Audit
Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected:
None

Executive Summary:
This report presents to the Audit Committee a draft 2017/18 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 work plan, 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 2017/18 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 2017/18 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 2017/18 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 work plan, 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 2017/18 this will include the updated 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.

3.3 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 Prospectus and work plan is 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 and work plan covering each municipal year. The work plan will be presented to each committee meeting for review and amendment as necessary.

5. Consultation

5.1 Relevant officers 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 Council's application of governance controls and management of risks from the work of the Audit Committee.

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 work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

13. Accountable Officer(s)

David Webster (Head of Internal Audit).

Rotherham Metropolitan Borough Council

Audit Committee Prospectus: 2017/18

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 2017/18 work programme.

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

The Council improvement plan features a broad range of actions relating to governance procedures and policies. These are of direct interest to the Council's Audit Committee.

The 2016/17 Audit Committee prospectus provided a particular focus on the new Local Code of Corporate Governance, leading to changes in the Annual Governance Statement. This will remain central to the Audit Committee's activities for 2017/18.

During 2016/17 the Internal Audit team underwent major changes, whilst implementing an action plan to improve and at the same time delivering the audit plan. These will all continue during 2017/18 and the Audit Committee will continue to support the team.

Also for 2017/18, the Audit Committee will continue to oversee the Council's risk management arrangements, which are still developing.

After 2017/18 there will be a change to the external auditors under the new Public Sector Audit Appointments scheme. The Audit Committee will oversee the transition from KPMG to the new auditors.

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 2017/18 this includes the refreshed 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 Quality Assurance and 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

[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

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 2017/18 work-plan, which is a 'live' document that is updated throughout the year, is attached at **Appendix 1**.

The Audit Committee has a current membership of five Council Members and one co-opted member. It will meet five times in 2017/18. 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.
- ✓ Meets 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 2017/18

The Audit Committee has a lead role in ensuring governance is in place across the Council. In 2017/18, the Committee will:

- ✓ Oversee the continuing implementation of the overall risk management framework, reviewing the Strategic Risk Register and requesting the attendance of Cabinet Members and senior managers to explain their management of risks.
- ✓ Support the Internal Audit team in continuing improvement and change, and in delivering the audit plan.
- ✓ Oversee the transition to new external auditors, due to change at the end of March 2018.

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.

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.

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 April 2018.

[2] KPMG are Rotherham Council's external auditors

Appendix 1

Meeting Date	Objective	Agenda Item	Author
July 2017		Pre meeting - Training – Self assessment results	David Webster
	Review financial statements	Draft Statement of Accounts	Graham Saxton
	Review Annual Governance Statement	Draft AGS	Judith Badger
	Review External Audit findings	External Audit Interim Audit Conclusion	KPMG / Graham Saxton
	Review Treasury Management	Annual Treasury Report	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation (R&E)	Simon Dennis
	Effectiveness of Internal Audit	QAIP	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Annual Report	David Webster
		Audit Committee Prospectus and Forward Work Plan	David Webster

Appendix 1

Meeting Date	Objective	Agenda Item	Author
September 2017		Training	
	Review financial statements	Final Statement of Accounts	Graham Saxton
	Review Annual Governance Statement	Final AGS	Judith Badger
	Review External Audit findings	External Audit report on the Accounts	KPMG / Graham Saxton
	Effectiveness of Internal Audit	IA Charter review and update	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Risk Management	Risk Management Policy and Strategy	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation	Simon Dennis
	Managing the risk of fraud	Annual Fraud Report	David Webster
	Managing the risk of fraud	Anti-Fraud and Corruption Policy and strategy review and update	David Webster
	Managing the risk of fraud	Money Laundering	David Webster
		Audit Committee Forward Work Plan	David Webster

Appendix 1

Meeting Date	Objective	Agenda Item	Author
November 2017		Training	
	Review External Audit findings	External Audit Grants Report	KPMG / Graham Saxton
	Review External Audit findings	External Audit Annual Letter	KPMG / Graham Saxton
	Consider Audit and Inspection Recommendations	External Audit and Inspection recommendations	Sue Wilson
	Monitor Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Regulation of Investigatory Powers	Review of Surveillance	Neil Concannon
	Review Annual Governance Statement	Code of Corporate Governance	Simon Dennis
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation	Simon Dennis
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
		Audit Committee Forward Work Plan	David Webster
February 2018		Training	
	Review financial statements	Final Accounts closedown and accounting policies	Graham Saxton
	Review Annual Governance Statement	Update on AGS issues	Judith Badger
	Review External Audit Annual Plan	External Audit Plan	KPMG / Graham Saxton
	Monitor Treasury Management	Prudential Indicators and Treasury Management Strategy	Graham Saxton

Appendix 1

Meeting Date	Objective	Agenda Item	Author
February 2018	Effectiveness of Risk Management	Risk Management Directorate Presentation	Simon Dennis
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit	PSIAS Internal Assessment	David Webster
	Managing the risk of fraud	Anti-Fraud and Corruption arrangements	David Webster
		Audit Committee Forward Work Plan	David Webster
April 2018		Training	
	Regulation of Investigatory Powers	Review of Surveillance and Policy	Neil Concannon
	Consider Audit and Investigation recommendations	External Audit Recommendations	Sue Wilson
	Effectiveness of Internal Audit and internal control environment	IA Strategy and Plan	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Risk Management	Risk Management Directorate Presentation	Simon Dennis
		Audit Committee Self-Assessment and Annual Report	David Webster
		Audit Committee Prospectus / Forward Work plan	David Webster

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