

METROPOLITAN BOROUGH OF ROTHERHAM
STATEMENT OF ACCOUNTS 2012/13 (UNAUDITED)

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority’s Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Financial 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 Director of Financial Services Responsibilities

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

In preparing this Statement of Accounts, the Director of Financial Services has:


- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice.

The Director of Financial Services has also:

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

Director of Financial Services Certificate

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year then ended.

Signed..... 

Stuart Booth CPFA

Date.....28 June 2013.....

FOREWORD BY THE DIRECTOR OF FINANCIAL SERVICES

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2013 and shows its overall financial position at the end of that period.

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

The principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority as set out in the section of this report headed 'Statement of Accounting Policies'. These accounting policies are kept under review and updated where appropriate to take account of changes in accounting practice adopted within the Code. In 2012/13 there has been one change of significance which is the implementation of the Accounting Policy on Heritage Assets. The impact of this change is explained on Page 8.

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Authority and its chief financial officer for the accounts
- **An Explanatory Foreword** (Page 2) – which details the most significant matters reported in the accounts
- **A Statement of Accounting Policies** (Page 112) – The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting policies that have been applied in preparing the Council's 2012/13 financial statements are detailed on Page 112.
- **Financial Statements and related disclosure notes** – which are explained further below

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

Financial Statements

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

The Authority's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 12) – The Comprehensive Income and Expenditure Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.
- **Movement in Reserves Statement (MIRS)** (Page 13) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are

available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable reserves are not available for use.

- **The Cash Flow Statement** (Page 16) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 95) – This Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 106) – By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

The Authority's financial position is reported through the:

- **Balance Sheet** (Page 15) - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable in the same way as in the MIRS.

The Council's Financial Statements also include the Metropolitan Debt Administration (Page 109) statement as under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at an average rate with which to charge the four district councils and joint boards within the South Yorkshire area.

2 General Fund Services

Rotherham Metropolitan Borough Council set a Net Revenue Budget (including Schools' Budgets) of £396.864m for 2012/13, the actual out-turn is £395.359m, an underspend of £1.504m, including an increase of £0.616m in schools' balances.

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

Overall net expenditure in 2012/13 was £1.504m less than the approved Budget. The principal reasons for this variation are set out below:

- An increase of £0.616m in schools' delegated balances.
- A net overspend of £0.424m within Children & Young People's Services; principally relating to Social Care pressures.
- A net overspend of £0.185m within Environment and Development Services; principally relating to pressures on the demand-led Winter Pressures budget.
- A net underspend of £0.864m across Neighbourhoods and Adult Services. Of this, £0.526m is attributable to Adult Services from additional Winter Pressures income from the Health Service and £0.338m to Neighbourhood services (across all services).

- A net overspend of £0.071m within Resources principally due to pressures on the Land Bank budget due to the need to keep secure properties which have been vacated until they are sold or demolished.
- Central and Other Services delivered net savings of £0.705m.

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

Excluding the position on schools, there is a net underspend of £0.888m (0.04%) on the Council's Net Revenue Budget. Approval has been given to carry forward £0.864m of the net underspend in respect of Traded Services surpluses and funding for specific projects or one off items, leaving a balance of £.024m uncommitted, which is available to support the budget. This reflects the Council's continued prudent and sustainable approach to managing its finances.

2.1 Level of Reserves

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

In line with recommended best practice both the level of general reserves and the level and purpose of earmarked reserves have been reviewed and risk assessed as part of the preparation of the Council's 2013/14 Revenue Budget.

As at 31 March 2013 the Council has a balance on the General Fund of £10.180m. Allowing for the commitments of £0.864m leaves a balance of £9.316m available to support future years' budgets. This is equivalent to 4.6% of the Council's 2013/14 Net Revenue Budget and is deemed to be a prudent level, which will allow the Council to address any issues and pressures that may arise during the coming financial year. The Council also holds £23.271m in earmarked General Fund reserves set aside for specific purposes (excluding £0.252m Schools' Declared Savings and £6.698m Revenue Grants Reserve) – see Note 2 for further detail.

In addition to the General Fund balance of £10.180m, the Council holds £8.227m relating to School Delegated Budget arrangements as follows:

2011/12 £m		2012/13 £m
0.295	Schools' Declared Savings (see Note 2 Earmarked Reserves)	0.252
7.359	Unspent Schools' Budgets (see Note 37 Usable Reserves)	7.975
7.654	Total	8.227

2.2 Housing Revenue Account Income and Expenditure Account

For 2012/13, the Income and Expenditure Account shows a deficit on the provision of HRA services of £4.366m. This has been adjusted by a credit of £12.291m and transfer to HRA Earmarked Reserve of £1.124m to produce the overall increase in the HRA balance of £6.801m.

The £12.291m credit comprises adjustments for items which are charged to the HRA under normal accounting practice but which are disregarded in determining the amount to be met by rent payers. They include the following: Gain on sale of Non Current Assets, capital expenditure funded directly from revenue and capital grants and contributions.

Previously, under the subsidy regime, depreciation and impairment was similarly disregarded. Following the move to self – financing in 2012/13, these have now become real charges to be met by rent payers. However, the Council has taken advantage of transitional protection arrangements which allow impairment of council dwellings to be disregarded and depreciation to be realigned to notional Major Repairs Allowance. These items are the principal reason for the credit of £12.291m.

In 2012/13 a budget was set which allowed for a surplus of £1.838m in order to contribute towards capital needs in 2013/14. The actual surplus for 2012/13 was £6.801m. The principal reasons contributing to the HRA surplus were:

Increases to balance:

- Repairs and Maintenance costs were less than anticipated – (£2.212m)
- Supervision and Management costs were less than anticipated – (£2.080m)
- An increase in rental income – (£0.774m)
- An increase in income for charges for services and facilities – (£0.760m)
- A balance of the Subsidy from 2011/12 to be retained – (£0.157m)

Decreases to balance:

- Impairment charges due to self financing - not budgeted – (£0.652m)
- Increased costs for bad debt provision – (£0.230m)
- An increase in actual interest payable by the HRA – (£0.325m)

From April 2012 the government abolished the HRA subsidy system and replaced it with a system of self financing which transfers all the risks of managing housing to 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. Under self financing the costs of impairment/revaluation of non-dwellings is a real charge to the HRA. Welfare reform also brings additional risk of lower income collection and increased cost of collection.

3 Capital Spend and Borrowing in 2012/13

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 2012/13 amounted to £57.923m.

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

	2012/13 £m
Children & Young People Services	14.660
Neighbourhoods & Adult Services	
- Housing Revenue Account	19.761
- Housing General Fund	2.281
- Adult Social Services	0.096
Environment & Development Services	16.343
Resources	4.782
Total	57.923

(b) Financing of this expenditure is analysed below:

	2012/13 £m
Borrowing need	7.958
Major Repairs Allowance (MRA)	18.595
Grants & Other Contributions	28.774
Capital Receipts	0.940
Internal Funds (e.g. Reserves, etc)	1.656
Total	57.923

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

	2012/13 £m
<u>Non Housing</u>	
Carriageway Resurfacing	1.430
A57 Road	6.444
Carriageway - Principal Roads	1.008
Lilly Hall Maltby New School	1.900
Maltby Academy	4.107
Orchard Centre Conversion	1.088
Development of Community Stadium	4.127
<u>Housing Investment Programme</u>	
Physically Handicapped Conversions / Improvements (Public)	1.672
Replacement of Central Heating Systems	2.581
Voids Programme	1.301
Refurbishment of Council Stock	9.718
Physically Handicapped Adaptations (Private)	1.583

(d) The Council's borrowing activities based upon principal amounts during 2012/13 are summarised as follows:

2011/12 £m		2012/13 £m
420.636	Balance as at 1 April	464.402
	Plus:	
50.904	New long-term borrowing	24.100
0.000	Long-term borrowing repaid	(0.065)
(7.138)	Re-classified as temporary borrowing (repayable in the following financial year)	(12.274)
464.402	Balance as at 31 March	476.163

The Council's operational boundary for external debt for the year was £608.696m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £773.336m.

Temporary Borrowing

2011/12 £m		2012/13 £m
22.000	Balance as at 1 April	30.238
366.065	Plus: New temporary borrowing	198.985
7.138	Re-classified from long-term borrowing	12.274
395.203		241.497
(347.965)	Repayments in the year	(222.086)
(17.000)	Repayment of prior year's reclassified long-term borrowing	(7.138)
(364.965)		(229.224)
30.238	Balance as at 31 March	12.273

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

4 Private Finance Initiatives

Waste PFI

The Council reached Financial Close on a joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) on 30th March 2012. The contract will provide residual waste facilities for the 3 boroughs, and is due to become operational in July 2015. Construction commenced on the site at Bolton Road, Rotherham in January 2013. The Councils have been jointly awarded £77.4m PFI credits for this project. The contract will assist the Councils in achieving their overall 50% recycling targets.

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

5 Pensions

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

These Statements incorporate pensions details in respect of the LGSS and South Yorkshire Pensions Authority determined in accordance with the requirements of FRS17/IAS19 Retirement Benefits, the purpose of which is to ensure that accounting statements reflect the value of the assets and liabilities underlying the Council's obligations in respect of retirement benefits. The figures include a snapshot of the Council's estimated financial position in relation to the scheme at a particular point in time undertaken by the South Yorkshire Pensions Authority's Actuary. The position at 31 March 2013 is disclosed in Note 18.

In addition to the annual valuation required for the accounts purposes under FRS17/IAS19, a full actuarial valuation of the fund is undertaken every three years. The last such triennial actuarial valuation was as at 31 March 2010 which reviewed the financial position of the Fund and determined appropriate employer contributions for the future. This valuation concluded that the Fund was in deficit with a funding level of 79%. As the LGSS Regulations require that the level of contributions is sufficient to maintain the solvency of the Fund, the recovery of this deficit was planned through additional employer contributions over 25 years.

The triennial valuation assessed the cost of future service accrual for employers as being 12% (previously 11.6%). Employee contributions are payable in addition to employer contributions and these currently range between 5.5% and 7.5% with an average of 6.5%.

The next actuarial triennial valuation as at 31 March 2013 is about to commence. This will lead to a reassessment of employers' contributions from 2014/15. The reassessment will take into account changes to the Local Government Pension Scheme which come into effect in April 2014. The new scheme will be based on career average rather than final salary, covering all earnings including overtime, with increased personal contribution rates and with changes to the accrual rates. .

The accounting policy applied in respect of Pensions is disclosed on Pages 128 - 130 under Employee Benefits.

6 Major changes and Statutory Functions

With effect from 1 April 2013, the Council took over responsibility for the delivery of public health services from the NHS.

The Council will receive a ring-fenced public health grant of £13.79m in 2013/14 to meet the cost of delivering these services.

A new Service Expenditure heading will be included within the Comprehensive Income and Expenditure Statement in 2013/14 to present the amount of income and expenditure incurred by the Council in providing public health services. This will be shown as an acquired operation.

7 Significant changes in Accounting Policies

The only change in 2012/13 having a significant bearing on the Statement of Accounts is the implementation of the accounting policy on Heritage Assets.

As a consequence Heritage Assets have been brought onto the balance sheet at an effective date of 1 April 2011 at their valuation of £6.95m.

The effect of this restatement on the Balance Sheet as at 31 March 2012 is as follows:

	Published Accounts 2011/12 £000	Restatement Heritage Assets £000	As Restated Accounts 2011/12 £000
Non Current Assets	1,221,453	6,950	1,228,403
Current Assets	52,050		52,050
Current Liabilities	(125,729)		(125,729)
Long Term Liabilities	(911,773)		(911,773)
Total Assets	236,001	6,950	242,951
Usable Reserves	(84,154)		(84,154)
Unusable reserves	(151,847)	(6,950)	(158,797)
Total Reserves	(236,001)	(6,950)	(242,951)

The effect of changes to accounting standards issued but not adopted by the Code until 2013/14 are set out in Part B of the Accounting Policies statement.

8 Outlook

Since the publication of the Autumn 2010 Spending Review (SR) covering the 3 financial years between 2011/12 to 2014/15 local authorities have faced significant financial challenges. The Spending Review outlined substantial real term reductions of 28% in central government support for local authorities. As a result the Council's grant funding for the period 2011-2013 fell by 18.7%, leading to the Council facing a resources gap of £30.3m in 2011/12 followed by £20.4m in 2012/13. This is in addition to the £10m funding that was withdrawn in 2010/11 as a consequence of the Coalition's Emergency Budget in June 2010.

To set its budget for 2013/14 the Council had to identify measures to close a further funding Gap of £20.2m. Additionally, the provisional 2014/15 Settlement indicated that the Council's funding will reduce by 9.1% as compared to 2013/14, whilst nationally, the reduction is 8.9%. In addition to the continuing pressure on grant resources, from April 2013 there is a substantial increase in the financial risk falling on local authorities as a result of the Government's major and on-going reforms of both local government finance and the welfare system. In particular the local retention of Business Rates, the rolling in of specific grants into Formula Grant at a reduced level and the replacement of Council Tax Benefit by the local Council Tax Reduction scheme.

The scale of the grant reductions, the major changes to the local government finance regime and the timescales available to achieve them have been unprecedented and it is anticipated that the forthcoming Spending Review planned for the end of June 2013 will include further significant reductions in public spending until at least 2018 and probably beyond. At the same time, the Council is facing spending and cost pressures as a result of other factors including inflation, demographic changes and developments in services.

In addressing these issues the Council's focus has been on the customers it serves and the communities and businesses of Rotherham – rather than the Council's organisational structure. As a first course of action the Council has sought to streamline its management and administration reducing as far as is possible back office costs and since 2011 these costs have reduced by over 15% and the manpower headcount has fallen by over 1,000 staff, principally from these areas and further reductions are planned for 2013/14. The Council has also undertaken the strategic re-positioning and reintegration of significant partnerships within the Council. In addition, areas where improved ways of working can increase the efficiency and effectiveness of council operations have continued to be identified.

The rapid reduction in grant support, the spending pressures facing the Council and the scale of the resulting budget shortfalls have required the Council to make difficult choices, however the calm and measured approach it has taken has allowed services for those most in need to be protected and has enabled the Council to continue to focus on service transformation ensuring the continued delivery of high standard services aligned with the Community Strategy and the Corporate Plan priorities and objectives.

Localisation of business rates and council tax support

As indicated above, changes introduced by the Local Government Finance Act 2012 which took effect in April 2013 have transferred significant financial risks from Central Government to the Council as a result of the localisation of business rates and council tax support.

Under localisation of business rates, the risks and rewards relating to retained business rates income will be borne 50:50 by Central Government and Local Government (previously up to and including 2012/13 all the risks and rewards were borne by Central Government). The 50% Local Government share is being borne between the Council (49%) and South Yorkshire Fire (1%). This means that the Council will benefit by retaining 49% of any surplus on retained business rate income but equally will be liable for 49% of any deficit. In setting its budget for 2013/14, the Council has forecast the level of retained business rate income it expects to collect based on assumptions about collection rates, the effect of rating appeals, the level of reliefs and losses in collection.

Under the localisation of Council Tax Support, Council Tax Benefit has been abolished and replaced by a local Council Tax Reduction Scheme, which is funded as part of the new Business Rates Retention and Formula Grant Regime. The effect of localising Council Tax support is that the Council is now responsible for collecting all Council Tax income, including that which was previously funded by Council Tax Benefit. The Council has, however, designed its local Council Tax Reduction scheme to enable it to continue to offer a range of discounts and exemptions (within certain constraints imposed by Central Government) to those residents who were previously in receipt of Council Tax Benefit. Central Government is providing transitional funding of £0.468m in 2013/14 to support the introduction of Council Tax Reduction Scheme.

Stuart Booth
Director of Financial Services

Main Financial Statements and Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

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

The Council did not acquire any new operations in either 2011/12 or 2012/13. All of the Council's income and expenditure relates to continuing operations.

As Restated Gross Expenditure £000	As Restated Gross Income £000	As Restated 2011/12 Net Cost £000		Gross Expenditure £000	Gross Income £000	2012/13 Net Cost £000	Notes
110,721	(28,447)	82,274	Adult Social Care	102,656	(29,434)	73,222	
5,260	(1,034)	4,226	Central Services to the Public	3,814	(1,194)	2,620	
312,189	(235,090)	77,099	Education and Children Services	303,378	(235,827)	67,551	
16,894	(4,638)	12,256	Cultural and Related Services	18,454	(5,432)	13,022	
29,243	(4,979)	24,264	Environment and Regulatory Services	22,980	(5,085)	17,895	
23,000	(5,546)	17,454	Planning Services	12,143	(3,180)	8,963	
35,870	(2,270)	33,600	Highways and Transport Services	31,285	(1,495)	29,790	
78,450	(80,548)	(2,098)	Local Authority Housing (HRA)	64,346	(75,078)	(10,732)	
116,597	(107,115)	9,482	Other Housing Services	119,955	(115,519)	4,436	
8,216	(2,150)	6,066	Corporate and Democratic Core	5,572	(1,478)	4,094	
1,673	(37)	1,636	Non Distributed Costs	14,596	0	14,596	
738,113	(471,854)	266,259	Net Cost of Service	699,179	(473,722)	225,457	
4,797	0	4,797	Other Operating Expenditure	4,776	0	4,776	4
54,215	(3,113)	51,102	Financing and Investment Income and Expenditure	46,370	(4,416)	41,954	5
0	(249,372)	(249,372)	Taxation & Non-Specific Grant Income	0	(255,232)	(255,232)	7
797,125	(724,339)	72,786	Deficit on Provision of Services	750,325	(733,370)	16,955	
		(5,749)	(Surplus) or Deficit on Revaluation of Non Current Assets			(12,888)	38b
		(884)	Write down of Met Debt			(973)	38a
		47,521	Actuarial (Gains) or Losses on Pension Assets & Liabilities			73,388	18
		40,888	Other Comprehensive Income & Expenditure			59,527	
		113,674	Total Comprehensive Income & Expenditure			76,482	

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are not available for use and are detailed in Note 38). The 'surplus or (deficit) on the provision of services' line shows the economic cost of providing the Council's services on a commercial accounting basis. The "adjustments between accounting basis and funding basis under regulations" line represents the statutory adjustments required to arrive at the amounts to be charged to the General Fund Balance for Local Tax purposes. The 'net increase /decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 April 2011 as restated	11,230	33,561	2,772	265	2,786	0	25,341	75,955	280,670	356,625	38(b)
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(66,094)	0	(6,692)	0	0	0	0	(72,786)	0	(72,786)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(40,888)	(40,888)	
Total Comprehensive Income and Expenditure	(66,094)	0	(6,692)	0	0	0	0	(72,786)	(40,888)	(113,674)	
Adjustments between accounting basis & funding basis under regulations	68,249	0	12,698	0	2,642	2,657	(5,261)	80,985	(80,985)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	2,155	0	6,006	0	2,642	2,657	(5,261)	8,199	(121,873)	(113,674)	
Add: Transfers (to)/from Earmarked Reserves	3,568	(3,568)	(451)	451	0	0	0	0	0	0	2
Increase / (Decrease) in Year	5,723	(3,568)	5,555	451	2,642	2,657	(5,261)	8,199	(121,873)	(113,674)	
<i>Increase / (Decrease) in Year consists of:</i>											
<i>Other transfers</i>	<i>(812)</i>										
<i>Outturn</i>	<i>6,535</i>										
At 31 March 2012 as restated	16,953	29,993	8,327	716	5,428	2,657	20,080	84,154	158,797	242,951	

2012/13	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Notes
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at 1 April 2012 as restated	16,953	29,993	8,327	716	5,428	2,657	20,080	84,154	158,797	242,951	38(b)
Movement in reserves during the year:											
Surplus or (deficit) on the provision of services	(12,589)	0	(4,366)	0	0	0	0	(16,955)	0	(16,955)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(59,527)	(59,527)	
Total Comprehensive Income and Expenditure	(12,589)	0	(4,366)	0	0	0	0	(16,955)	(59,527)	(76,482)	
Adjustments between accounting basis & funding basis under regulations	14,019	0	12,291	0	9,460	220	1,804	37,794	(37,794)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	1,430	0	7,925	0	9,460	220	1,804	20,839	(97,321)	(76,482)	
Add: Transfers (to)/from Earmarked Reserves	(228)	228	(1,124)	1,124	0	0	0	0	0	0	2
Increase / (Decrease) in Year	1,202	228	6,801	1,124	9,460	220	1,804	20,839	(97,321)	(76,482)	
<i>Increase / (Decrease) in Year consists of:</i>											
<i>Other transfers</i>	<i>(303)</i>										
<i>Outturn</i>	<i>1,505</i>										
At 31 March 2013	18,155	30,221	15,128	1,840	14,888	2,877	21,884	104,993	61,476	166,469	

Balance Sheet

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

As Restated 31 March 2012 £000		31 March 2013 £000	Notes
1,179,567	Property, Plant and Equipment	1,157,787	19
6,950	Heritage Assets	6,952	23
33,736	Investment Property	31,097	20
265	Intangible Assets	640	21
1,318	Long Term Investments	971	30
6,567	Long Term Debtors	10,426	33
1,228,403	Long Term Assets	1,207,873	
342	Short Term Investments	14,405	24
2,107	Assets Held For Sale	288	22
566	Inventories (Stock)	518	31
28,735	Short Term Debtors	34,717	33
20,300	Cash and Cash Equivalents	21,920	34
52,050	Current Assets	71,848	
(22,314)	Bank Overdraft	(25,418)	34
(34,770)	Short Term Borrowing	(17,036)	24
(60,951)	Short Term Creditors	(66,285)	35
(7,694)	Provisions	(8,646)	36
(125,729)	Current Liabilities	(117,385)	
(9,792)	Provisions	(5,617)	36
(4,741)	Long Term Creditors	(725)	35
(464,402)	Long Term Borrowing	(476,163)	24
(432,311)	Other Long Term Liabilities	(511,042)	50
(527)	Capital Grants Receipts in Advance	(2,321)	8
(911,773)	Long Term Liabilities	(995,868)	
242,951	Net Assets	166,468	
(84,154)	Usable Reserves	(104,994)	37
(158,797)	Unusable Reserves	(61,474)	38
(242,951)	Total Reserves	(166,468)	

Cash Flow Statement

	2011/12 £000	2012/13 £000	Notes
Deficit on the provision of services	72,786	16,955	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(121,154)	(63,504)	
Net cash inflows from Operating Activities	(48,368)	(46,549)	39
Investing Activities	94,010	14,475	40
Financing Activities	(32,416)	33,558	41
Net decrease in cash and cash equivalents	13,226	1,484	
Cash and cash equivalents at the beginning of the reporting period	11,212	(2,014)	34
Cash and cash equivalents at the end of the reporting period	(2,014)	(3,498)	34

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

31 March 2012 £000		31 March 2013 £000
20,300 (22,314)	Cash and Bank balances Bank Overdraft	21,920 (25,418)
(2,014)	Total Cash and Cash Equivalents	(3,498)

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Note 1 Adjustments between Accounting Basis and Funding Basis

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

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

<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18)	24,089	1,039	0	0	0	(25,128)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,465)	(947)	0	0	0	25,412
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)	0	0	0	0	291
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(374)	83	0	0	0	291
Total Adjustments	68,249	12,698	2,642	2,656	(5,261)	(80,984)

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

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18)	32,106	1,482	0	0	0	(33,588)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,129)	(1,113)	0	0	0	25,242
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(285)	0	0	0	0	285
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(261)	16	0	0	0	245
Total Adjustments	14,019	12,291	9,460	220	1,804	(37,794)

Note 2 Transfers to and from Earmarked Reserves

General Fund	Bal at 1 April 2011 £000	Movements between General Fund and Earmarked Reserves £000	Trans Out 2011/12 £000	Transfers In 2011/12 £000	Bal at 31 March 2012 £000	Movements between General Fund and Earmarked Reserves £000	Trans Out 2012/13 £000	Trans In 2012/13 £000	Bal at 31 March 2013 £000
Insurance	1,483	(72)	(714)	0	697	0	(342)	0	355
Invest to Save	150	(150)	0	0	0	0	0	0	0
Statutory Costs	117	(114)	(3)	0	0	0	0	0	0
Commutation Adjustment	8,394	0	0	0	8,394	0	0	0	8,394
Revenue Grants Reserve	8,064	1,411	(8,226)	4,804	6,053	90	(3,348)	3,903	6,698
Aston CSC Repair / Maint Fund	0	0	0	40	40	0	0	20	60
Riverside House Rep/Maint Fund	0	0	0	26	26	0	0	51	77
EMS Implementation Fund	0	0	0	139	139	0	(31)	38	146
Kimberworth The Place Repairs / Maintenance Fund	0	0	0	0	0	0	0	10	10
Energy Conservation (LAEF)	366	(13)	(58)	53	348	0	(51)	31	328
Museum	54	(21)	0	0	33	0	0	0	33
RERF	281	(111)	(70)	0	100	0	(40)	0	60
Maintenance of Buildings	559	(350)	(175)	0	34	0	0	78	112
Winter Conditions	250	(250)	0	0	0	0	0	0	0
Schools Maintenance Programme	73	(73)	0	0	0	0	0	0	0
Managed Workspace R&R	144	(69)	0	0	75	0	(8)	29	96
PFI – Leisure	88	0	0	120	208	0	0	789	997
Landfill Allowance Trading Scheme	305	0	(305)	0	0	0	0	0	0
PFI - Schools	12,681	0	(1,285)	2,145	13,541	0	(1,748)	800	12,593
Housing Improvement Programme	30	(11)	(9)	0	10	0	0	0	10
Dispersed & Furnished Units	15	0	(15)	0	0	0	0	0	0
Equity Loan Scheme Reserve	22	(22)	0	0	0	0	0	0	0
Asylum Seekers	161	(161)	0	0	0	0	0	0	0
Schools Declared Savings	324	0	(30)	1	295	0	(43)	0	252
Total	33,561	(6)	(10,890)	7,328	29,993	90	(5,611)	5,749	30,221
Housing Revenue Account									
Furnished Homes	265	0	0	451	716	0	0	1,124	1,840
Total	265	0	0	451	716	0	0	1,124	1,840
	33,826	(6)	(10,890)	7,779	30,709	90	(5,611)	6,873	32,061

Earmarked General Fund Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13. A brief description of the purpose of each General Fund reserve is provided as follows. A brief description of the HRA earmarked reserve is provided in Note 2 to the HRA on page 100.

(i) Insurance

That part classified as a Reserve (as distinct from a Provision – (see Note 36) is earmarked to meet future potential and contingent liabilities.

(ii) Commutation Adjustment

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

(iii) Revenue Grant Reserve

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

(iv) Local Authority Energy Fund (LAEF)

This reserve has been set up to provide initial investment for energy conservation work. It is anticipated that such investment will generate long term savings. Money is advanced to spending services and is repaid over a predetermined period, the repayments generating resources for further investment.

(v) Museum

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

(vi) Rotherham Economic Regeneration Fund (RERF)

Set up to defray the costs associated with supporting/funding externally funded schemes across several financial years and facilitating the economic regeneration of the borough, and to allow carry forward of funds on an annual basis.

(vii) Maintenance of Buildings

Set up to defray the cost of Maintenance of Buildings across the Council by focussing on a more corporate and strategic approach.

(viii) Managed Workspace R&R

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

(ix) PFI – Leisure

This PFI arrangement will last for 33 years and 3 months. The reserve recognises the fact that receipts and payments into the reserve are smoothed out over the life of the contract so that the balance on the reserve at the end of the contract is nil. This arises as only 50% of the Unitary Charge payment is indexed, the remaining 50% being fixed. As the PFI revenue grant support is fixed, the Council's budgetary contributions as a proportion of income increase over time.

(x) Schools Declared Savings

Under the Authority's Scheme for the Local Management of Schools, all Primary, Secondary and Special Schools are allowed to invest, internally with the Authority, sums set aside from their delegated budgets, for use in future years. Interest can be earned on such savings. These sums were initially allocated to schools as part of

their formula-funded budgets and are, therefore, exclusively earmarked for use by those same schools in the future.

(xi) PFI – Schools

This PFI arrangement will last for 30 years. The reserve recognises the fact that funding received in the early years was in excess of expenditure, but that expenditure has risen significantly after all the schools have been completed.

(xii) Housing Improvement Programme (HIP)

This reserve has been created to support HIP's role in enabling decent affordable housing in the private sector. It covers the Works in Default Scheme.

Under the Works in Default scheme Environmental Health Officers may require private landlords to do improvements to their properties. An amount of £9,554 has been set aside in the event that landlords default in reimbursing the Council for the cost of the improvement works. This reserve has not been utilised in 2012/13.

(xiii) Aston CSC Maintenance Fund

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

(xiv) Kimberworth the Place Repairs & Maintenance Fund

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

(xv) Riverside Maintenance Fund

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

(xvi) EMS Implementation Fund

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

Note 3 **Segmental Reporting**

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

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

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

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

2012/13	CYPS £000	Schools £000	EDS £000	Neighbour hoods £000	Adults £000	Resources £000	Central £000	HRA £000	Total £000
Fees, charges & other service income	(46,820)	(8,088)	(37,634)	(4,487)	(35,162)	(33,419)	(41,775)	(74,976)	(282,361)
Government Grants	(32,742)	(176,742)	(731)	(626)	(6,709)	(112,940)	(31,791)	(157)	(362,438)
Total Income	(79,562)	(184,830)	(38,365)	(5,113)	(41,871)	(146,359)	(73,566)	(75,133)	(644,799)
Employee Expenses	42,715	143,651	22,530	3,696	31,872	30,283	8,147	7,430	290,324
Other Operating expenses	72,283	34,992	50,653	3,498	81,496	133,936	109,637	59,849	526,344
Central Dept. & Tech. Support	164	5,571	1,245	39	1	23,782	1,260	1,053	33,115
Total Operating Expenses	115,162	184,214	74,428	7,233	113,369	168,001	119,044	68,332	849,783
Revenue outturn	35,600	(616)	36,063	2,120	71,498	21,642	45,478	(6,801)	204,984
2011/12									
Fees, charges & other service income	(43,157)	(10,228)	(39,540)	(4,891)	(38,244)	(46,349)	(23,197)	(69,222)	(274,828)
Government Grants	(33,471)	(174,949)	(1,066)	(1,358)	(8,095)	(104,747)	(18,069)	(13,126)	(354,881)
Total Income	(76,628)	(185,177)	(40,606)	(6,249)	(46,339)	(151,096)	(41,266)	(82,348)	(629,709)
Employee Expenses	46,296	143,316	23,117	4,408	32,281	24,491	(3,332)	6,210	276,787
Other Operating expenses	71,240	31,439	53,952	4,605	88,005	144,945	81,383	69,817	545,386
Central Dept. & Tech. Support	418	5,891	2,636	71	41	6,163	(918)	765	15,067
Total Operating Expenses	117,954	180,646	79,705	9,084	120,327	175,599	77,133	76,792	837,240
Revenue outturn	41,326	(4,531)	39,099	2,835	73,988	24,503	35,867	(5,556)	207,531

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

	As Restated 2011/12 £000	2012/13 £000
Net expenditure in the Directorate Analysis	207,531	204,984
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate analysis	(7,334)	(1,383)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	66,062	21,856
Cost of Services in Comprehensive Income and Expenditure Statement	266,259	225,457

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

2011/12 As Restated	Directorate Analysis	Amounts Not reported to Management	Amounts not included in I&E as Cost of Service	Allocation of Recharges	Cost of Services	Items shown below Cost of Service on I&E	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(274,531)	0	95,991	34,112	(144,428)	0	(144,428)
Surplus on Trading Activities	0	0	0	0	0	(1,901)	(1,901)
Interest & Investment Income	(297)	0	297	0	0	(1,211)	(1,211)
Income from Council Tax	0	0	0	0	0	(96,584)	(96,584)
Government Grants & Contributions	(354,881)	0	27,455	0	(327,426)	(152,789)	(480,215)
Total Income	(629,709)	0	123,743	34,112	(471,854)	(252,485)	(724,339)
Employee expenses	276,787	(7,334)	(21,542)	0	247,911	6,759	254,670
Other service expenses	523,618	0	(88,075)	(34,112)	401,431	12,589	414,020
Depreciation, amortisation and impairments	0	0	88,771	0	88,771	0	88,771
Interest payments	34,609	0	(34,609)	0	0	34,609	34,609
Precepts and levies	1,938	0	(1,938)	0	0	4,095	4,095
Payments to Housing Capital receipts pool	0	0	0	0	0	672	672
Gain or loss on disposal of Non Current Assets	288	0	(288)	0	0	288	288
Total Expenditure	837,240	(7,334)	(57,681)	(34,112)	738,113	59,012	797,125
(Surplus) or Deficit on the provision of services	207,531	(7,334)	66,062	0	266,259	(193,473)	72,786

2012/13	Directorate Analysis	Amounts Not reported to Management	Amounts not included in I&E as Cost of Service	Allocation of Recharges	Cost of Services	Items shown below Cost of Service on I&E	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(281,766)	0	78,904	52,296	(150,566)	0	(150,566)
Surplus on Trading Activities	0	0	0	0	0	(2,533)	(2,533)
Interest & Investment Income	(595)	0	595	0	0	(1,883)	(1,883)
Income from Council Tax	0	0	0	0	0	(98,196)	(98,196)
Government Grants & Contributions	(362,438)	(120)	39,402	0	(323,156)	(157,036)	(480,192)
Total Income	(644,799)	(120)	118,901	52,296	(473,722)	(259,648)	(733,370)
Employee expenses	290,324	(1,383)	(25,837)	0	263,104	9,484	272,588
Other service expenses	523,141	120	(103,122)	(52,296)	367,843	1,864	369,707
Depreciation, amortisation and impairments	0	0	68,232	0	68,232	0	68,232
Interest payments	34,537	0	(34,537)	0	0	34,537	34,537
Precepts and levies	2,008	0	(2,008)	0	0	4,264	4,264
Payments to Housing Capital receipts pool	0	0	0	0	0	1,224	1,224
Gain or loss on disposal of Non Current Assets	(227)	0	227	0	0	(227)	(227)
Total Expenditure	849,783	(1,263)	(97,045)	(52,296)	699,179	51,146	750,325
(Surplus) or Deficit on the provision of services	204,984	(1,383)	21,856	0	225,457	(208,502)	16,955

Note 4 Other Operating Expenditure

2011/12 £000		2012/13 £000	Notes
2,157	Parish Council precepts	2,256	
1,938	Levies payable	2,008	
672	Payments to the Government Housing Capital Receipts Pool	1,224	
30	(Gain)/loss on disposal of non current assets	(712)	
4,797	Total	4,776	

Note 5 Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000	Notes
34,609	Interest payable and similar charges	34,537	26
6,759	Pensions interest cost and expected return on pensions assets	9,484	18
(297)	Interest receivable and similar income	(595)	26
11,932	Net expenditure relating to Investment Properties	1,061	20
(1,901)	Surplus on Trading undertakings	(2,533)	6
51,102	Total	41,954	

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

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

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

Expenditure £000	Income £000	2011/12 (Surplus) / Deficit £000		Expenditure £000	Income £000	2012/13 (Surplus) / Deficit £000
10,890	(11,113)	(223)	Construction, Street Cleansing and Landscaping	9,982	(11,130)	(1,148)
682	(761)	(79)	Vehicle Maintenance	880	(815)	65
2,737	(3,298)	(561)	Property Services – Fee-billing	2,434	(2,839)	(405)
692	(859)	(167)	Engineering – Fee-billing	709	(919)	(210)
4,873	(5,153)	(280)	Cleaning of buildings	4,844	(5,069)	(225)
1,148	(1,073)	75	Markets	945	(988)	(43)
360	(346)	14	Building Regulations Control	354	(347)	7
8,885	(9,525)	(640)	School Support Services	9,058	(9,610)	(552)
95	(135)	(40)	Dispersed & Furnished Units	101	(123)	(22)
30,362	(32,263)	(1,901)	(Surplus)	29,307	(31,840)	(2,533)

The net surplus for the year on traded services of £2.533m has not been allocated to specific services within the accounts, but forms part of the Council's Financing and Investment Income and

Expenditure as disclosed in Note 5. The net surplus of £2.533m is after debiting £0.055m for FRS17 pension costs (2011/12 £0.180m credit).

The Council's traded services include:

Construction, Street Cleansing and Landscaping

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

Vehicle Maintenance

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

Property Services – Fee Billing

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

Engineering

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

Cleaning of Buildings

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

Markets

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

Building Control

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

As Restated 2011/12 £000		2012/13 £000	Notes
96,584	Council Tax Income	98,196	
94,087	Non Domestic Rates Redistribution	113,116	
40,855	Non Ring-fenced government grants	15,261	8
17,846	Capital Grants and Contributions	28,659	8
249,372	Total	255,232	

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:

2011/12 £000		2012/13 £000
29,083	Revenue Support Grant	2,193
8,033	PFI Grant	8,033
3,739	Other Non Specific Revenue Grants	5,035
40,855	Total	15,261

Capital Grants Credited to Taxation and Non Specific Grant Income

As Restated 2011/12 £000		2012/13 £000
5,111	Department for Transport	13,441
2,201	HCA New Build Grant	0
0	Environment Agency	505
208	Early Intervention Grant	658
493	Heritage Lottery Fund	141
4,083	Education Funding Agency: LA Maintained Maintenance Grant	3,259
2,000	Education Funding Agency: Basic Need Pupil Places	1,313
826	Education Funding Agency: LA Maintained Devolved Formula	896
0	Education Funding Agency: Maltby Academy	7,077
0	Department of Health	716
0	Fuel Poverty Fund DECC	391
2,924	Other Local Authorities and Partners	262
17,846		28,659

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

As Restated 2011/12 £000		2012/13 £000
182,610	Dedicated Schools Grant (Note 16)	179,647
4,856	Standards Fund	0
101,614	Housing and Council Tax Benefit: subsidy	110,239
7,013	Sixth Form Funding	6,617
10	Schools Standards Grant	0
0	Troubled Families & Troubled Families Co-ordinator	753
12,842	Early Intervention Grant	13,165
3,299	Pupil Premium	6,789
2,361	Housing Benefit and Council Tax Benefit Administration	2,150
590	Asylum Seekers	58
681	Youth Offending Teams Grant	640
880	NEETS (Not in Employment, Education or Training)	739
200	Inspire Rotherham / Young Enterprise Project	0
0	Rotherham Music Hub	603
3,226	Enterprising Neighbourhoods / Future Jobs Fund	639
787	DFE Local Support Services Grant	0
691	Extreme Winter Weather	0
3,226	Learning & Disability Health Reform Grant	6,724
3,665	Social Care Funding	3,516
2,413	Other NHS Funding	2,525
1,101	Disabled Facilities Grant	1,213

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

31 March 2012 £000		31 March 2013 £000
527	Section 106 Developer Contributions	2,321
527	Total	2,321

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	2011/12 £000		Income £000	Expenditure £000	2012/13 £000
0	0	67	Dinnington Colliery Site – Highways works	(0)	67	0
(12)	56	61	Culture and Leisure – General Fund	(203)	2	262
(79)	36	144	Other – General Fund	(1,822)	40	1,926
(62)	0	255	HRA	(0)	122	133
(153)	92	527	Total	(2,025)	231	2,321

Note 9 **Acquired and discontinued operations**

The Council did not acquire any new operations in either 2011/12 or 2012/13. All of the Council's income and expenditure relates to continuing operations.

Note 10 **Agency Services**

NHS Funded Nursing Care

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

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

2011/12 £000		2012/13 £000
2,251	Gross income	2,056
(2,233)	Gross expenditure	(2,056)
18	Under spend	0

Note 11 **Transport Act**

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

Note 12 **Pooled Budgets**

The Council, through Adult Social Services, has three pooled budget arrangements with NHS Rotherham (formerly, Rotherham Primary Care Trust) to enable joint working under section 75 of the National Health Service Act 2006.

The first is for the provision of Intermediate Care services to provide a range of assessment, interim and nurse-led beds to facilitate earlier discharges from hospital. The second provides the full range of services for people with Learning Disabilities and is managed within a pooled budget. The Council acts as 'host' authority to both pooled arrangements.

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

2011/12 £000	Intermediate Care	2012/13 £000
(2,347) (1,054)	Funding from NHS Rotherham RMBC (Adult Social Services) Contribution	(2,634) (1,093)
(3,401)	Total Gross Income	(3,727)
2,274 1,021	NHS Expenditure RMBC Expenditure	2,516 1,013
3,295	Total Gross Expenditure	3,529
(106)	Net (surplus) arising on the pooled budget during the year	(198)
(33)	RMBC share of the net (surplus) / deficit arising on the pooled budget	(99)

2011/12 £000	Learning Disability Services	2012/13 £000
(3,338) (27,273)	Funding from NHS Rotherham RMBC (Adult Social Services) Contribution	(3,310) (28,221)
(30,611)	Total Gross Income	(31,531)
3,338 26,719	NHS Expenditure RMBC Expenditure	3,310 28,974
30,057	Total Gross Expenditure	32,284
(554)	Net (surplus) / deficit arising on the pooled budget during the year	753
(554)	RMBC share of the net (surplus) / deficit arising on the pooled budget	753

NHS Rotherham acts as a "host" for the third Pooled Budget where, from April 2004, it became lead provider for the provision of Integrated Community Equipment Service for the people of Rotherham.

2011/12 £000	Integrated Equipment Store	2012/13 £000
(1,019) (368)	Funding by NHS Rotherham RMBC (Adult Social Services) Contribution	(995) (322)
(1,387)	Total Gross Income	(1,317)
987 368	NHS Expenditure RMBC Expenditure	995 322
1,355	Total Gross Expenditure	1,317
(32)	Net (surplus) / deficit arising on the pooled budget during the year	0
0	RMBC share of the net (surplus) / deficit arising on the pooled budget	0

Note 13 Members' Allowances

Members' allowances and expenses during the year totalled £1,106,691 excluding Joint Authority allowances (2011/12 £1,111,709 excluding Joint Authority allowances). The employers' pension contributions associated with these allowances was £81,802 (2011/12 £76,588). Detailed

information about Members' Allowances can be obtained from the Director of Financial Services, Resources Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

2011/12 £000		2012/13 £000
758	Basic allowance	759
2	Travel	1
1	Subsistence	0
351	Special responsibility allowances	347
1,112	Total Members' Allowances and Expenses	1,107
77	Employer Pension Costs	82
1,189	Total	1,189

Note 14 **Staff Remuneration**

The Accounts and Audit Regulations 2011 require the disclosure of certain information relating to officers' emoluments. Details of the number of employees who received remuneration of £50,000 or more based on 2012/13 payroll information, expressed in bands of £5,000 is as follows:

2011/12		2012/13		
As Restated Officers Total	Teachers Total		Officers Total	Teachers Total
26	56	£50,000 - £54,999	40	48
12	54	£55,000 - £59,999	6	58
9	25	£60,000 - £64,999	5	25
3	13	£65,000 - £69,999	2	16
11	9	£70,000 - £74,999	1	9
1	6	£75,000 - £79,999	1	7
3	1	£80,000 - £84,999	6	3
1	4	£85,000 - £89,999	1	3
0	0	£90,000 - £94,999	0	2
0	0	£95,000 - £99,999	0	0
1	0	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	0	1
0	1	£120,000 - £124,999	0	0
0	1	£125,000 - £129,999	0	2
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	1	£150,000 - £154,999	0	0

The above table excludes the senior employees whose remuneration for 2011/12 and 2012/13 are shown in the Strategic Leadership Team in note (ii) overleaf.

Notes:

(i) The number of employees whose remuneration was £50,000 or more includes a number of staff, who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and

Redeployment) during both 2011/12 and 2012/13 and this has resulted in these staff falling into higher banding brackets than normal.

(ii) Following a restructure the disclosure for Senior Officers Remuneration has been revised to only include Senior Officers who are a Member of the Senior Leadership Team and in Statutory and Non-Statutory Chief Officers roles whose salary details are required to be disclosed by the Accounts and Audit Regulations 2011, Senior Officers Remuneration and Employers Pension Contribution for the Council are as follows:

Strategic Leadership Team (who were Members during all or part of the year) Job Title/Employee	Salary	Additional Payments	Compensation & Ex-gratia	Total remuneration excluding employer pension contributions	As Restated Pension employer contribution Refer to Note (viii)
	2011/12 £	2011/12 £	2011/12 £	2011/12 £	2011/12 £
Martin Kimber Chief Executive	154,480.08	0.00	0.00	154,480.08	18,537.60
Strategic Director of Neighbourhoods and Adults Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Environment and Development Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Resources - Refer to Note (v)	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Children and Young Peoples Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Director of Commissioning, Policy and Performance Performance – Refer to Note (iv)	86,049.04	0.00	0.00	86,049.04	10,325.88
Director of Human Resources	81,920.81	0.00	0.00	81,920.81	9,830.49
Director of Legal and Democratic Services – Refer to Note (vi)	N/A	N/A	N/A	N/A	N/A
Assistant Chief Executive Legal and Democratic Services – Refer to Note (iii)	20,279.85	0.00	0.00	20,279.85	2,433.58
Director of Financial Services Refer to Note (vii)	N/A	N/A	N/A	N/A	N/A
Total	791,050.26	0.00	0.00	791,050.26	94,925.95

Strategic Leadership Team (who were Members during all or part of the year) Job Title/Employee	Salary	Additional Payments	Compensation & Ex-gratia	Total remuneration excluding employer pension contributions	Pension employer contribution Refer to Note (viii)
	2012/13 £	2012/13 £	2012/13 £	2012/13 £	2012/13 £
Martin Kimber Chief Executive	158,160.00	0.00	0.00	158,160.00	0.00
Strategic Director of Neighbourhoods and Adults Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Environment and Development Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Strategic Director of Resources - Refer to Note (v)	93,400.10	0.00	28,346.01	121,746.11	11,208.00
Strategic Director of Children and Young Peoples Services	112,080.12	0.00	0.00	112,080.12	13,449.60
Director of Commissioning, Policy and Performance – Refer to Note (iv)	N/A	N/A	N/A	N/A	N/A
Director of Human Resources	81,548.54	0.00	500.00	82,048.54	9,785.81
Director of Legal and Democratic Services – Refer to Note (vi)	81,098.04	0.00	0.00	81,098.04	9,731.75
Assistant Chief Executive Legal and Democratic Services – Refer to Note (iii)	N/A	N/A	N/A	N/A	N/A
Director of Financial Services Refer to Note (vii)	28,884.23	0.00	0.00	28,884.23	3,466.10
Total	779,331.27	0.00	28,846.01	808,177.28	79,540.46

(iii) The Assistant Chief Executive of Legal and Democratic Services left with effect from 30 June 2011.

(iv) The Director of Commissioning, Policy and Performance ceased to be a Member of SLT with effect from November 2011.

(v) The Strategic Director of Resources left with effect from 31 January 2013. He held the post of Section 151 Officer until 21 November 2012.

(vi) The Director of Legal and Democratic Services assumed the role of Monitoring Officer with effect from 1 April 2012.

(vii) The Director of Financial Services assumed the role of Section 151 Officer with effect from 22 November 2012. Salary figure disclosed is part year only from this date until 31 March 2013.

(viii) Employer Pension contributions disclosed as restated in 2011/12 and 21012/13 are based on the common rate of contribution set by the Actuary of 12 percent.

(ix) Further disclosure for exit packages

In order to bring about a structured approach to reducing staff numbers to achieve necessary budget savings, the Council has operated a voluntary severance scheme during 2012/13. The table below shows the cost to the authority of staff who have left under the voluntary scheme, together with other departures and those who have been made compulsorily redundant. These costs include, where appropriate, the full pension strain cost arising from early retirement, for which the Council is required to make an additional payment to the Pensions Authority. It should be noted that whilst the full amount payable has been included, under an agreement with the Pensions Authority, this is settled and charged to revenue over a three year period.

The costs tabulated below are comprised of actual severance payments paid during the year plus accrued severance payments for individuals who left during 2012/13 but who were paid in 2013/14 less severance payments already accrued in 2011/12.

The costs for 2012/13, also include staff for whom provision in respect of severance costs has been made, this differs from the treatment adopted in 2011/12, when provision was based on a average estimated cost of departure and it was not possible to ascribe the group of staff to specific cost bandings. In 2012/13 the provision made relates to individuals for whom it was possible to identify the severance costs.

Note 36 shows the changes to the provision for severance costs during 2012/13. These changes are reflected in the total cost of termination benefits shown in Note (v) 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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2012/13 £000
Non Schools								
£0 - £20,000	54	5	164	236	218	241	1,951	2,264
£20,001 - £40,000	5	5	58	71	63	76	1,786	2,094
£40,001 - £60,000	0	0	24	15	24	15	1,175	753
£60,001 - £80,000	2	0	8	7	10	7	712	493
£80,001 - £100,000	0	0	4	3	4	3	358	259
£100,001 - £150,000	0	0	1	4	1	4	125	457
£150,001 - £200,000	0	0	1	1	1	1	175	199
£200,001 - £250,000	0	0	0	1	0	1	0	200
Total	61	10	260	338	321	348	6,282	6,719

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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2012/13 £000
Schools								
£0 - £20,000	22	7	21	50	43	57	319	345
£20,001 - £40,000	0	0	0	1	0	1	0	25
Total	22	7	21	51	43	58	319	370

(v) Termination Benefits

As part of the rationalisation of Council services during 2012/13, some 406 employees (2011/12 364) from across the whole of the Council including schools have been given approval to leave the Council with an exit package (that is, compulsory redundancies, Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment etc.).

The liabilities incurred as a result of the early termination of employees in 2012/13 totalled £5.6m (2011/12 £5.3m) - composed of severance payments of £4.6m (2011/12 £4.5m) and £1.0m (2011/12 £0.8m) in pensions strain costs.

A further £1.6m in total of pension strain costs relating to staff who left the Council will be paid over to the South Yorkshire Local Government Pension Scheme in 2013/14 and 2014/15 as they fall due and become chargeable to revenue (2011/12 £1.5m). In 2011/12 the Council received a Capitalisation Direction from the DCLG enabling £1.1m of severance costs to be funded from capital resources.

Note 15 **External Audit Fees**

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

As Restated 2011/12 £000		2012/13 £000
319	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	186
47	Fees payable to KPMG for the certification of grant claims and returns	25
366	Total	211

Note 16 **Dedicated Schools Grant**

The Council receives a specific grant from the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations (2011). The Schools Budget includes a range of educational services provided on an authority (wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Over and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG are as follows:

As Restated 2011/12				2012/13		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		207,858	Final DSG before Academy recoupment			208,916
		(25,248)	Less Academy figure recouped			(29,269)
		182,610	Total DSG after Academy recoupment			179,647
		(92)	Brought forward from previous year			1,385
17,556	164,962	182,518	Agreed initial budgeted distribution	17,247	163,785	181,032
(16,171)		(16,171)	Less actual Central expenditure	(16,101)		(16,101)
	(164,962)	(164,962)	Less actual ISB deployed to schools		(163,785)	(163,785)
1,385	0	1,385	Carry forward to next year	1,146	0	1,146

Note 17 Related Party Transactions

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

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

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

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

Joint Ventures and Associates

(i) RBT (Connect) Limited

The company ceased trading on 31 January 2012. A Board Meeting on 30 May 2012 took the decision that the company be wound up voluntarily, liquidators Ernst and Young have been appointed for this purpose. Ernst and Young confirmed in May 2013 that they are awaiting verification from HMRC as to whether any returns/tax remains outstanding for RBT. Upon receipt of the HMRC response, Ernst and Young will proceed with the closure of the company which will take approximately 3 months.

The Council owns 19.9% of the share capital of the company, so that it will receive £23,482 in respect of the undistributed surplus balance when the company is wound up.

(ii) Digital Region Ltd

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

The company was set up to manage and procure a high speed broadband network in the South Yorkshire region and to undertake the promotion of the network to the service provider market. Under the original business model, achievement of this objective was dependent on the company generating sufficient revenue sales in the early years of operation. Due to a range of factors, the target level of sales has not been achieved. As a consequence, the company is now in the process of re-procuring service delivery under a new business model which will transfer more of the risk to the private sector.

Under the funding agreement for the construction of the broadband network, the Council has advanced £2m of capital loans as the Council's contribution towards the overall funding package. The Council has also committed to advance up to £7.58m to support the re-procurement process of which £6.28m is covered by a capitalisation direction received from CLG in 2011/12. The actual amount advanced in 2012/13 was £1.2m.

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

The company's latest available accounts are for the year ended 31 March 2012.

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

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

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

The share capital of the company is as follows:

Authorised and fully paid up Share Capital	£1.850 million
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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 2011 were available and the details are as follows:

31 December 2010 £000		31 December 2011 £000
77	Turnover	53
20	Profit/(Loss)	(124)
20	Profit/(Loss) after taxation	(124)
4,995	Net Assets	4,871

No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2013.

(iv) Groundwork Cresswell, Ashfield and Mansfield Trust

Groundwork Cresswell, Ashfield and Mansfield Trust is a charity and a company limited by guarantee. The members of the company, whose liability is limited to £1, are Ashfield District Council, Bassetlaw District Council, Bolsover District Council, Chesterfield Borough Council, Derbyshire County Council, Mansfield District Council, Newark and Sherwood District Council, North East Derbyshire District Council, Nottinghamshire County Council, the Federation of Groundwork Trusts, and Rotherham Metropolitan Borough Council.

The company’s principal activities are the promotion of conservation, protection and improvement of the physical and natural environment, to provide facilities in the interests of social welfare and to advance public education.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2012 were available and the details are as follows:

31 March 2011 £000		31 March 2012 £000
3,389	Turnover	3,099
71	Surplus for the year	304
809	Net Assets	1,113

Rotherham Metropolitan Borough Council’s contribution to the company during 2012/13 was £32,000 (2011/12 nil).

During the financial year ended 31 March 2013, Cresswell Groundwork Trust provided no services to the Council (£nil 2012/13) and incurred no charges from the Council (£nil 2011/12).

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

(v) Groundwork Dearne Valley Limited

Groundwork Dearne Valley is a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Rotherham Metropolitan Borough Council.

The board comprises of five directors appointed by members, with the Council able to nominate one, and up to six co-opted directors.

The principal activity of the company is to complement the work of the three Local Authority members in carrying out environmental regeneration by involving local residents in the long-term management of their environment, attracting funding in the area to carry out the work, and developing innovative approaches to regeneration.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2012 were available and the details are as follows:

31 March 2011 £000		31 March 2012 £000
1,769	Turnover	1,104
116	Surplus for the year	11
143	Net Assets	154

Rotherham Metropolitan Borough Council's contribution to the company during 2012/13 was £33,480 (2011/12 £83,000).

During the financial year ended 31 March 2013, Groundwork Dearne Valley Limited continued to receive payroll services from the Council and provided services to the Council to the value of £119,964 (2011/12 £185,814) and incurred charges from the Council to the value of £412,975 (2011/12 £688,002).

Since the end of the 2012/13 financial year, Groundwork Dearne Valley has gone into administration. The company is continuing to trade whilst the administrator, BDO LLP, is in the process of preparing a recovery plan with a view to securing the company's future as a going concern.

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

(vi) Inspire Rotherham Limited

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

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

The company commenced trading on 15 March 2011 and at the time of publication has produced its first set of accounts for the period ending 31 March 2012.

		31 March 2012 £000
	Turnover	173
	Surplus for the year	63
	Net Assets	63

Rotherham Metropolitan Borough Council's contribution to the company during 2012/13 was £Nil (2011/12 development grant of £153,962).

During the financial year ended 31 March 2013, the company provided services to the Authority to the value of £19,500 (2011/12 £nil). Inspire Rotherham incurred charges from the Council of £57 (2011/12 £4,723).

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

(vii) 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 30 March 2012 were available and the details are as follows:

31 March 2011 £000		30 March 2012 £000
3,317	Turnover	2,601
(2,005)	Deficit for the year	(1,208)
16,707	Net Assets	15,499

During the financial year ended 31 March 2013, the company provided services to the Authority to the value of £109,857 (2011/12 £154,692). Magna incurred charges from the Council of £25,321(2011/12 £26,102).

A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £175,000 was still outstanding as at 31 March 2013. The Council issued to Magna a short term loan of £250,000 during 2012/13. This was repaid on the 28 March 2013.

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

(viii) Ministry of Food Limited

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

The activities of the Ministry of Food Centre set up in Rotherham in 2008 were transferred to the company with effect from 1 April 2011.

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

At the time of publication of this Statement, accounts for the company for its first period of trading for the year ending 31 March 2012 were available and the details are as follows:

		31 March 2012 £000
	Income	260
	Surplus for the year	41
	Net Assets	41

The Council provided £3,123 of financial support during 2012/13 (2011/12 £74,872). During the financial year ended 31 March 2013, the company provided services to the Council of £6,209 (2011/12 £5,020) and was recharged £161,233 of staff costs and goods and services purchased on behalf of the company through the Council (2011/12 £156,275).

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

(ix) The Northern College for Residential Adult Education Limited

The Northern College for Residential Adult Education Limited was set up in 1978, by a consortium of local authorities and trade unions to provide long term residential education for adults. The company previously comprised six full members, the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds, and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members.

The College Company was reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company. As at 31 July 2012 there were 17 members of which 3 were local authority nominated.

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

At the time of publication of this Statement, accounts for the company for the year ending 31 July 2012 were available and the details are as follows:

31 July 2011 £000		31 July 2012 £000
5,484	Income	5,662
409	Surplus for the year	670
1,409	Net Assets	1,567

Rotherham MBC made no contribution towards the running costs of the company during 2012/13 (2011/12 nil).

During the financial year ended 31 March 2013, the company provided services to the Council of £45,260 (2011/12 £29,430) and incurred no charges from the Council (2011/12 nil).

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

(x) Phoenix Enterprises (Rotherham) Ltd

This company commenced trading on 1 June 1998 and its principal activity is "the management and delivery of the New Deal initiative in Rotherham and North Derbyshire, and the development of community and social enterprise in Rotherham.

Phoenix Enterprises (Rotherham) is a company limited by guarantee. It has three members: - Rotherham Chamber of Commerce, Lifetime Careers and Rotherham Metropolitan Borough Council.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2012 were available and the details are as follows:

31 March 2011 £000		31 March 2012 £000
7,508	Turnover	1,389
968	Profit/(Loss)	(268)
964	Profit/(Loss) after taxation	(268)
2,164	Net Assets	1,896

Rotherham Borough Council's grants to and payments for services provided by the company during 2012/13 was £13,195 (2011/12 £102,291), and incurred charges from the Council to the value of £3,069 (2011/12 £17,698).

A copy of the accounts of the company may be obtained from the company at the Head Office, Old Vicarage Lane, All Saints Church Yard, Vicarage Lane, Rotherham, S65 1AA.

(xi) Rotherham Renaissance Limited

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

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

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

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

(xii) Rotherham United Community Sports Trust

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

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

At the time of publication of this Statement, accounts for the company for the year ending 31 August 2012 were available and are as follows:

31 August 2011 £000		31 August 2012 £000
699	Gross incoming resources for the year	815
69	Net incoming resources for the year	48
223	Net Assets	272

During 2012/13, the Council paid a grant of £300 to the trust (2011/12 £nil) and payments for services provided by the company of £36,288 (2011/12 £nil) and it incurred charges from the Council to the value of £538 (2011/12 £640).

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

(xiii) YHGfL Foundation

company limited by guarantee. Its membership comprises Rotherham MBC, Calderdale MBC, Doncaster MBC, East Riding of Yorkshire Council, Kingston upon Hull CC, Kirklees MBC, Leeds CC, North East Lincolnshire Council, North Lincolnshire Council, North Yorkshire County Council, Sheffield CC, Wakefield City MDC.

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

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2012 were available and the details are as follows:

31 March 2011 £000		31 March 2012 £000
2,724	Turnover	2,142
119	Profit	7
119	Profit after taxation	7
(67)	Net Liabilities	(205)

The net liabilities of £205,000 at 31 March 2012 comprise a trading surplus of £58,000 (2010/11 £64,000 surplus) and pension liability of £263,000 (2010/11 £131,000 pension liability). In the view of the company's directors, the company will continue to operate into the foreseeable future and is therefore a going concern.

Rotherham MBC did not make a direct contribution to the running costs of this company during 2012/13 (2011/12 nil).

During the financial year ended 31 March 2013, the company provided services to the Authority to the value of £136,962 (2011/12 £131,028) and incurred no charges from the Council (2011/12 nil).

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

(xiv) Yorkshire Purchasing Organisation

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. Rotherham was one of thirteen local authority founder members. A further 24 associate members have since joined.

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

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2012 were available and the details are as follows:

31 December 2011 £000		31 December 2012 £000
108,453	Turnover	128,447
8,779	Surplus for the year before dividend	10,871
(6,402)	Dividend declared	(7,068)
2,377	Retained Surplus	3,803
20,098	Net Assets	15,846

Rotherham MBC did not make a direct contribution to the running costs of this company during 2012/13 (2011/12 nil).

During the financial year ended 31 March 2013, the Council purchased goods to the value of £8m through the YPO (2011/12 £6.8m).

The Council's share of the declared dividend was £414,000 (£426,000 2011/12) and also received a customer loyalty bonus of £26,000 in 2012/13.

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

Other

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

As Restated 2011/12 £	Related Parties	Nature of Transactions	2012/13 £
	<u>Assisted Organisations</u>		
36,133	Dinnington Resource Centre	Fees and Charges	43,922
30,331	Full Life Christian Centre	Grant and Charges	33,612
35,205	Get Sorted Academy of Music	Fees and Charges	33,582
124,001	Rotherham Advocacy Partnerships	Charges	154,079
26,583	Rotherham Diversity Forum	Grant	19,224
17,183	Rotherham Ethnic Minority Alliance Ltd	Grant and Charges	13,202
19,193	Tassibee Project	Fees and Charges	21,546
20,671	United Multicultural Centre Ltd	Grant and Charges	29,406
	<u>Member Related</u>		
126,700	Home-Start Rotherham	Grant,	70,000
459,695	Rotherham and Barnsley Mind (See Note)	Fees and Charges	448,439
284,025	Rotherham Women's Refuge	Fees and Charges	302,186
21,636	Safe At Last	Charges	11,013
58,176	Swinton Lock Activity Centre	Fees and Charges	45,228
378,994	Voluntary Action Rotherham	Grant, Fees and Charges	345,488
	<u>Officer Related Organisations</u>		
78,932	GROW	Grants, Fees and Charges	80,286
32,776	Kiveton Park Independent Advice	Grants and Fees	29,698
	<u>Other Related Organisations</u>		
18,858,036	South Yorkshire Integrated Transport Authority	Levy	16,875,085

Note – Rotherham Mind merged with Barnsley Mind in 2011/12 to become Rotherham and Barnsley Mind.

Note 18 Pensions

The Council participates in two separate pension schemes relating to Teachers and Other Employees. Both schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

(a) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEAs). However it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

During 2012/13 the Authority paid employer's contributions calculated at 13.9% amounting in total to £10.98m (2011/12 £11.031m).

The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2014 is £9.8m.

The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. In 2012/13 one such early retirement was approved at a cost of £3,000.

(b) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through its participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority is able to identify a share of the underlying liabilities in the scheme attributable to its own employees and accordingly accounts for post-employment benefits as a defined benefit scheme in accordance with the requirements of IAS19. Consequently, the Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the IAS 19 cost of retirement benefits is reversed out through the Movement in Reserves Statement and replaced by the actual contributions payable in the year.

During 2012/13 the Council paid employer's superannuation contributions calculated at 17.7% amounting to £22.141m.

Total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £21.7m.

In determining the pensions' transactions shown in these accounts the actuary has also made an allowance for schools acquiring academy status during the year: - Saint Bernard's Catholic High School and Thurcroft Junior became academies in July 2012 (and plans are in place for up to 12 schools to acquire academy status during 2013/14).

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

As Restated 2011/12 £000		2012/13 £000
(18,722)	Net Cost of Services	
(87)	- Current Service Cost	(20,809)
2,776	- Past Service (Council)	(20)
(484)	- Past Service (2010 Rotherham Ltd)	0
	- Curtailment / Settlement Cost	(1,217)
(1852)	Net Operating Expenditure	
(48,197)	- Current Service Cost – Trading Services	(2,058)
41,438	- Interest Cost	(47,059)
	- Expected Return on Assets in the Scheme	37,575
(25,128)	Pension costs charged to the deficit on the provision of services	(33,588)
2,492	Amounts to be met from Government Grants and Local Taxation:	
(2,776)	- Movement of Pensions Reserve (Council)	8,346
	- Movement of Pensions Reserve (2010 Rotherham Ltd)	0
(25,412)	Actual amount charged against Council Tax for pensions in the year:	
	- Employer's contributions payable to Scheme	(25, 242)

In addition to the recognised gains and losses included in the CIES, actuarial loss of £73.388m (£47.521m loss in 2011/12), were included in other comprehensive income and expenditure in the CIES.

Assets and liabilities in relation to retirement benefits

The change in Benefit Obligations for the year ended 31 March 2013 is as follows:

2011/12 Unfunded £000	As Restated 2011/12 Funded £000		2012/13 Unfunded £000	2012/13 Funded £000
(19,488)	(830,749)	Benefit Obligation at beginning of period	(19,692)	(944,502)
0	(18,722)	Current Service Cost	0	(20,809)
0	(1,852)	Trading Services	0	(2,058)
(1,037)	(47,160)	Interest on Pension Liabilities	(932)	(46,127)
0	(7,952)	Member Contributions	0	(7,766)
0	(87)	Past Service Cost	0	(20)
(441)	(33,058)	Actuarial loss on liabilities	(1,524)	(125,638)
0	(1,728)	Curtailments	0	(2,189)
0	1,892	Settlements	0	1,369
1,274	33,679	Benefits/Transfers paid	1,333	35,489
0	(38,765)	Business combinations	0	0
(19,692)	(944,502)	Benefits Obligation at end of period	(20,815)	(1,112,251)

Note: Compensatory Added Years' benefits which are recharged to the employer have been included in the liabilities figure for the purpose of IAS 19 calculations, as "unfunded" liabilities. The change in Plan Assets during the year ended 31 March 2013 is as follows:

2011/12 Unfunded £000	2011/12 Funded £000		2012/13 Unfunded £000	2012/13 Funded £000
0	612,169	Fair Value of Plan Assets at beginning of period	0	673,459
0	41,438	Expected return on Plan Assets	0	37,575
0	(14,022)	Actuarial gains/(losses) on Assets	0	53,774
0	36,111	Business combinations	0	0
0	(648)	Settlements	0	(397)
1,274	24,138	Employer contributions	1,333	23,909
0	7,952	Member contributions	0	7,766
(1,274)	(33,679)	Benefits/transfers paid	(1,333)	(35,489)
0	673,459	Fair Value of Plan Assets at end of period	0	760,597

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest instalments are based on gross redemption yields at the start of the financial year. The expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £91.348m (2011/12 £27.416m).

Analysis of the Fair Value of Plan Assets:

	31 March 12 £000	31 March 13 £000
Equity investments	419,566	467,006
Bonds	166,344	162,007
Property	66,672	70,736
Cash	20,877	6,085
Other	0	54,763
	673,459	760,597

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

	31 March 12 £000	31 March 13 £000
Fair Value of Employer Assets	673,459	760,597
Present value of funded liabilities	(944,502)	(1,112,251)
Net (under)/over funding in Funded Plans	(271,043)	(351,654)
Present Value of Unfunded Liabilities	(19,692)	(20,815)
	(290,735)	(372,469)
Amount in the Balance sheet:		
Council:		
Liabilities	(964,194)	(1,133,066)
Assets	673,459	760,597
Net Assets / Liabilities	(290,735)	(372,469)

Scheme History

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

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Present Value of Benefit Obligations	(636.7)	(893.9)	(850.2)	(964.2)	(1,133.1)
Fair Value of Assets	436.1	582.7	612.2	673.5	760.6
Surplus/(Deficit)	(200.6)	(311.2)	(238.0)	(290.7)	(372.5)

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

Amount recognised in Other Comprehensive Income and Expenditure:

	31 March 09 £000	31 March 10 £000	31 March 11 £000	31 March 12 £000	31 March 13 £000
Actuarial gains/(losses)	42,171	(102,340)	34,102	(47,521)	(73,388)
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	42,171	(102,340)	34,102	(47,521)	(73,388)
Cumulative actuarial gains and (losses)	(26,709)	(129,049)	(94,947)	(142,468)	(215,856)

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The Council's Pension liability of £372.5m has a significant impact on the net worth of the Authority. As shown in the balance sheet the liability of £372.5m has reduced the Council's net worth to £166.5m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Rate of Return on Assets

Part of the way that the pensions liabilities are expected to be financed is through investment returns. This is allowed for in the FRS17 figures, and typically an investment return of about 5.6% (net of expenses) on the existing assets had been anticipated for 2012/13. The actual return achieved in the year was 5.8% (net of expenses). This figure may vary from year to year depending on the assumptions made and the underlying distribution of the Fund's assets.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

Experience gains and (losses) on assets	(124,436)	112,480	(9,851)	(14,022)	53,774
Experience gains and (losses) on liabilities	0	0	28,011	0	0

	31 March 09 %	31 March 10 %	31 March 11 %	31 March 12 %	31 March 13 %
Experience gains and (losses) on Assets	(28.54)	19.30	(1.61)	(2.08)	7.1
Experience gains and (losses) on liabilities	0.00	0.00	(3.29)	0.00	0.00

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 1 April 2010.

The principal assumptions used by the actuary have been:

2011/12		2012/13
	Long-term expected rate of return on assets in the scheme:	
7.0%	Equity investments	7.0%
3.1%	Government Bonds	2.8%
4.1%	Bonds	3.9%
6.0%	Property	5.7%
0.5%	Cash/liquidity	0.5%
7.0%	Other	7.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.5 years	Men	21.8 years
24.2 years	Women	24.7 years
	Longevity at 65 for future pensioners:	
22.8 years	Men (in 20 years time)	23.7 years
25.8 years	Women (in 20 years time)	26.6 years
2.5%	Rate of CPI inflation	2.4%
4.25%	Rate of increase in salaries	4.15%
2.5%	Rate of increase in pensions	2.4%
4.9%	Rate for discounting scheme liabilities	4.2%
50.0%	Take-up of option to convert annual pension into retirement lump sum (50% to take maximum cash – 50% to take 3/80 th cash)	50.0%

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

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.

	31 March 11 %	31 March 12 %	31 March 13 %
Equity investments	67.4	62.3	64.4
Bonds	21.8	24.7	21.3
Property	9.8	9.9	9.3
Cash	1.0	3.1	0.8
Other	0.0	0.0	7.2
	100.0	100.0	100.0

The South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned the actuary, Mercer Human Resource Consulting Ltd to produce the requisite information in relation to the Local Government Superannuation Scheme.

Further information in relation to the Local Government Superannuation Scheme can be found in the South Yorkshire Pension Fund Annual Report which is available upon request from the Superannuation Manager, South Yorkshire Joint Secretariat, Regent Street, Barnsley.

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

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2012	533,902	593,907	54,043	113,782	5,765	23,565	18,195	1,343,159
Additions	18,975	7,492	2,258	5,548	160	18,265	859	53,557
Accumulated Depreciation and Impairment written out to gross cost/valuation	(23,513)	(22,349)	0	0	0	0	(6,153)	(52,015)
Revaluation increases/decreases to Revaluation Reserve	922	11,706	0	0	0	0	2,935	15,563
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,287)	(11,327)	0	0	0	0	(8,042)	(20,656)
Derecognition - Disposals	(1,208)	(3,649)	(211)	0	0	0	(9,225)	(14,293)
Derecognition - Other	0	0	(48)	0	0	0	0	(48)

	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
Reclassified to/from Held for Sale	0	0	0	0	0	0	1,425	1,425
Reclassified to/from Investment Properties	0	567	0	0	0	0	0	567
Other Movements in cost valuation	178	(18,075)	3,786	5,315	809	(14,210)	22,196	(1)
At 31 March 2013	527,969	558,272	59,828	124,645	6,734	27,620	22,190	1,327,258
Depreciation and Impairment								
At 1 April 2012	(23,329)	(93,310)	(16,088)	(22,036)	(5,038)	(640)	(3,151)	(163,592)
Accumulated Depreciation and Impairment written out to gross cost/valuation	23,513	22,349	0	0	0	0	6,153	52,015
Depreciation Charge	(12,316)	(10,130)	(5,754)	(2,735)	(3)	0	(84)	(31,022)
Impairment losses/reversals to Revaluation Reserve	(430)	(2,245)	0	0	0	0	(1)	(2,676)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(18,415)	(4,247)	(244)	(1,310)	(1,074)	0	(2,264)	(27,554)
Derecognition - Disposals	58	1,693	18	0	0	0	2,364	4,133
Derecognition - Other	0	0	14	0	0	0	0	14
Reclassification to / from Held for Sale	0	0	0	0	0	0	(790)	(790)
Other movements in depreciation and impairment	(5)	4,152	0	0	0	0	(4,146)	1
At 31 March 2013	(30,924)	(81,738)	(22,054)	(26,081)	(6,115)	(640)	(1,919)	(169,471)
Net Book Value								
At 31 March 2013	497,045	476,534	37,774	98,564	619	26,980	20,271	1,157,787
At 31 March 2012	510,573	500,597	37,955	91,746	727	22,925	15,044	1,179,567

(a) Carrying Value of PFI Assets

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

2011/12 £000		2012/13 £000
	Cost or Valuation	
145,868	At 1 April	145,078
(335)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(2,413)
1,936	Additions	196
(140)	Revaluation Increases / (Decreases) taken to Revaluation Reserve	186
(2,251)	Revaluation Increases / (Decreases) taken to Surplus or Deficit on the Provision of Services	(174)
145,078	Cost or Valuation at 31 March	142,875
	Depreciation and Impairment	
6,218	At 1 April	10,368
(335)	Adjustments between cost / value & depreciation/impairment	(2,413)
3,154	Depreciation Charge	3,137
12	Depreciation written out on Revaluation Reserve	0
1,319	Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0
0	Impairment Losses Recognised in the Revaluation Reserve	122
0	Impairment Losses taken to Surplus or Deficit on the Provision of Services	76
10,368	Depreciation and impairment at 31 March	11,290
	Net Book Value	
134,710	At 31 March	131,585

2011/12 £000		2012/13 £000
117,771	Land and buildings	115,669
14,936	Vehicles, Plant, Furniture and Equipment	13,913
2,003	Assets under Construction	2,003
134,710	Total	131,585

Effects of change in estimates

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

Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2012/13 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Economic and Development Services. The Statement of Accounting Policies provide further information on revaluation and depreciation policies. The table below provides an analysis between the carrying

value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	18,904	67,852	59,827	124,646	6,735	1,072	27,620	306,656
Valued at fair value as at:								
31 March 2013	509,065	130,091	0	0	0	20,583	0	659,739
31 March 2012	0	74,173	0	0	0	0	0	74,173
31 March 2011	0	205,738	0	0	0	409	0	206,147
31 March 2010	0	45,171	0	0	0	126	0	45,297
31 March 2009	0	35,248	0	0	0	0	0	35,248
Total Cost or Valuation	527,969	558,273	59,827	124,646	6,735	22,190	27,620	1,327,260

Downward Revaluations and Impairment

Of the valuation decreased of £48m charged to the CIES in 2012/13, £27.5m relates to capital expenditure which did not enhance asset carrying values and £20.5m relates to downward revaluations. £8m of the downward revaluations are due to a change in the method used to calculate schools values which under the Code is now on a modern equivalent asset basis.

Capital commitments

At 31 March 2013 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13. The Council had significant commitments of £1 million or more budgeted to cost £45.323m (£44.320 million at 31 March 2012).

	Cost £m
Name of Scheme	
Neighbourhood and Adult Services:	
Refurbishment of Dwellings	30.000
Replacement of Communal Doors - Dwellings	1.020
Children and Young People's Services:	
Herringthorpe J&I School	1.514
Maltby Academy	7.103
Flanderwell Primary	1.020
Highways:	
A57 Major Highway Provision	4.666
Total	45.323

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

Note 20 **Investment Property**

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

2011/12 £000		2012/13 £000
(914)	Rental income from investment property	(1,288)
244	Direct operating expenses arising from investment property	494
(670)	Net income	(794)
12,344	Net losses from fair value adjustments	1,370
258	Loss on disposal	485
11,932	Total included in Finance & Investment Income	1,061

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

2011/12 £000		2012/13 £000
46,443	Balance at 1 April	33,736
0	Subsequent expenditure	149
(494)	Disposals	(850)
(12,344)	Net losses from fair value adjustments	(1,370)
(45)	Net losses through Revaluation Reserve	0
176	Transfers to / from Property, Plant & Equipment	(567)
33,736	Balance 31 March	31,098

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

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

Note 21 **Intangible Assets**

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

2011/12 £000		2012/13 £000
1,385 (1,229)	Balance at 1 April: - Gross carrying amount - Accumulated amortisation	1,568 (1,303)
156 183 (74)	Net carrying amount at 1 April Additions: - Purchases Amortisation	265 510 (135)
265 1,568 (1,303)	Net carrying amount at 31 March Comprising: Gross carrying amounts Accumulated amortisation	640 2,078 (1,438)
265	Balance at 31 March	640

Note 22 Assets Held for Sale

	Assets Held for Sale- Current		Assets Held for Sale- Non-current	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Balance at 1 April	1,142	2,107	0	0
Assets newly classified as held for sale				
- Property, Plant and Equipment	1,659	80	0	0
Newly Acquired Assets	5	0	0	0
Revaluation losses	(206)	(62)	0	0
Impairment Losses	(5)	(785)	0	0
Assets declassified as held for sale				
- Property, Plant and Equipment	(343)	(715)	0	0
Assets sold	(145)	(337)	0	0
Balance at 31 March	2,107	288	0	0

Note 23 Heritage Assets

Nature and scale of heritage assets held by the Council

Museum Exhibit

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

- a) Social & Industrial History (around 11,000 items) - Contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day.
- b) Archaeology (around 6,500 items) - Includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham).

- c) World Cultures (around 300 items) - Consists of objects originating from Africa, Asia, the Americas and Oceania. In 1981 the collection was transferred on loan to Leeds Museum.
- d) Numismatics & Philately (over 3,000 items) - Includes items dating from the 4th century BC to the 20th century AD.
- e) Fine Art (around 3,000 items) - Consists of oil paintings, water-colours, prints and a good collection of sculpture items.
- f) Decorative Art (around 5,500 items) - Predominated by ceramic items including a large collection from Yorkshire potteries, the most significant being items from the Swinton Pottery/Rockingham Works.
- g) Natural Sciences (over 30,000 items) – Including botanical and geological specimens from Yorkshire and Great Britain.

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

Civic Regalia & Plate

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

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

Archives

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

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

Historic Buildings

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

These assets are carried at valuation rather than cost, both of them being valued on the 1st April 2012 by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer. Both were regarded as having nil value as they are listed building with restrictions on their disposal, which gives them no commercial value.

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

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

Heritage Assets

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Cost or Valuation					
1 April 2011 as restated	4,946	1,746	258	0	6,950
31 March 2012	4,946	1,746	258	0	6,950

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Cost or Valuation					
1 April 2012 as restated	4,946	1,746	258	0	6,950
31 March 2013	4,948	1,746	258	0	6,952

Heritage Asset Values

The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried at fair value.

	Museum Exhibits £000	Civic Regalia & Plate £000	Archives £000	Historic Buildings £000	Total £000
Historic Cost	2	0	0	0	2
Valuation	4,946	1,746	258	0	6,950
Total Value	4,948	1,746	258	0	0

Additions to Heritage Assets

Description	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
Museum Exhibits	0	0	2	2
Civic Regalia & Plate	0	0	0	0
Archives	0	0	0	0
Historic Buildings	0	0	0	0

The only addition in 2012/13 is a 14th Century Finger Ring from Thurcroft which was declared a Treasure and made available through the British Museum.

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

Disposal of Heritage Assets in 2012/13

There have been no Heritage Asset disposals in 2012/13.

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 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Financial Liabilities (principal amount)	464,402	476,163	30,238	12,274
Plus Accrued Interest	0	0	4,532	4,762
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	464,402	476,163	34,770	17,036
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	464,402	476,163	34,770	17,036
Loans and receivables (principal amount)	1,498	1,020	423	14,459
Plus Accrued Interest	0	0	0	1
Plus(+)/Less(-) Other accounting adjustments	(372)	(241)	(81)	(55)
Loans and receivables at amortised cost	1,126	779	342	14,405
Unquoted equity investments at cost	192	192	0	0
Total Investments	1,318	971	342	14,405

No financial instruments have been reclassified during the year. The Council also did not transfer any financial assets which have not been derecognised or retained a continuing involvement in a transferred asset.

Note 25 **Financial Instruments – Risk**

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

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

Overall Procedures for Managing Risk

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

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

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

These policies are implemented by a central treasury team. The Council maintains written procedures for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels, adjusted to reflect current market conditions.

	Amount at 31 March 2013	Historical experience of default	Adjustment for market conditions at 31 March 2013	Estimated maximum exposure to defaults
	£000 (a)	% (b)	% (c)	£000 (a*c)
<u>Deposits with banks and financial institutions – excluding Icelandic Banks</u>				
AAA rated counterparties	13,710	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	390	0.080%	0.080%	0
Bonds	0	0.000%	0.000%	0
Total	14,100			0
<u>Debtors</u>				
Long Term Debtors	10,436	0.096%	0.096%	10
Sundry Debtors	8,502	14.832%	14.832%	1,261
Council Tax	5,309	38.670%	38.670%	2,053
Community Charge	43	95.349%	95.349%	41
Housing Benefits	3,102	30.916%	30.916%	959
Housing Tenants	4,473	64.029%	64.029%	2,864
Other Short-Term Debtors	21,222	3.562%	3.562%	756
Debtors	53,087			7,944
Total	53,087			7,944

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 £7.944m represents the Council's provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

The Council does not generally allow credit for its sundry debtors, such that all of the balance is past its due date for repayment. The past due amount can be analysed as follows:

31 March 2012 £000		31 March 2013 £000
2,775	Less than three months	6,346
562	Three to six months	524
609	Six months to one year	312
1,531	More than one year	1,320
5,477		8,502

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 2013 was £1.051m (£1.027m as at 31 March 2012).

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2012 £000		31 March 2013 £000
34,770	Less than one year	17,036
12,144	Between one and two years	27,279
95,811	Between two and seven years	81,495
51,688	Between seven and fifteen years	62,882
304,759	More than fifteen years	304,507
499,172		493,199

The maturity analysis of financial assets is as follows:

31 March 2012 £000		31 March 2013 £000
342	Less than one year	14,405
208	Between one and two years	120
110	Between two and three years	128
808	More than three years	531
1,468		15,184

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £8.502m 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:

2011/12 £000		2012/13 £000
250	Impact on Surplus or Deficit on the Provision of Services	250
113	Increase in Government grant receivable for financing costs	0
(113)	Share of overall impact debited to the HRA	(0)
0	Decrease in the fair value of fixed rate investment assets	0
0	Impact on Other Comprehensive Income and Expenditure	0
(68,965)	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)	(72,750)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 27 Fair Value of Assets and Liabilities carried at amortised cost.

Price Risk – The Council does not generally invest in equity shares but does have a number of small shareholdings in its related companies. The Council is therefore not exposed to any significant risks arising from movements in the price of these shares and the shares are not classified as Available-for-Sale.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to risk arising from movements in exchange rates.

Note 26 **Financial Instruments – Gains/Losses**

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2013 are as follows:

2011/12 Total £000		Financial Liabilities	Financial Assets			2012/13 Total £000
		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Fair value through the CIES £000	
21,220	Interest expense	22,857	0	0	0	22,857
77	Impairment losses	0	(76)	0	0	(76)
(117)	Premium/discounts	0	0	0	0	0
13,429	Finance Lease Interest	11,768	0	0	0	11,768
34,609	Interest payable and similar Charges	34,613	(76)	0	0	34,537
(297)	Interest income	0	(595)	0	0	(595)
34,312	Net gain (-) / loss (+) for the year	34,613	(671)	0	0	33,942

Note 27 **Financial Instruments – Fair Value of Assets carried at Amortised Cost**

Financial liabilities and financial assets represented by loans and receivables are shown in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early payment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair value is calculated as follows:

31 March 2012			31 March 2013	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
301,217	366,260	Long and Short-term PWLB debt	298,125	366,372
174,854	182,208	Non-PWLB debt	195,074	209,228
23,101	23,101	Temporary	0	0
499,172	571,569	Total Debt	493,199	575,600
65,692	65,692	Trade Creditors	67,010	67,010
564,864	637,261	Total Financial Liabilities	560,209	642,610
342	342	Money Market loans less than one year	14,405	14,405
1,126	1,126	Money Market loans more than one year	779	779
0	0	Bonds	0	0
192	192	Equity	192	192
6,567	6,567	Long-term Debtors	10,436	10,436
5,477	5,477	Sundry Debtors	8,502	8,502
4,813	4,813	Council Tax	5,309	5,309
43	43	Community Charge	43	43
2,410	2,410	Housing Benefits	3,102	3,102
3,941	3,941	Housing Rents	4,473	4,473
18,905	18,905	Other Short-Term :		
(6,854)	(6,854)	Debtors	21,222	21,222
		Bad Debts Provision	(7,944)	(7,944)
36,962	36,962	Total Loans and Receivables	60,519	60,519

The fair value for financial liabilities is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 28 **Financial Instruments – Soft Loans and Financial Guarantees**

Soft Loans – Loans granted by the Authority at below market rates are accounted for on a fair value basis. This is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument for an organisation with a similar credit rating.

Government Regulations permit the removal of this charge through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2013 a £0.002m balance was held within the account.

Financial Guarantees – Under the revised Regulations the Council is required to record in its balance sheet any financial guarantees that it has provided based on the likelihood of the guarantee being called.

The initial recognition of the guarantee is measured at fair value based on the probability of the guarantee being called together with the likely amount payable under the guarantee.

At 31 March 2013 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 29 **Impairment adjustment – Landsbanki and Heritable Bank**

Early in October 2008, the Icelandic bank Landsbanki collapsed and the UK subsidiary of the bank, Heritable, went into administration. The authority had £3.750m deposited in these institutions, with maturity dates and interest rates as follows:

Bank	Date invested	Maturity Date	Amount Invested £m	Interest Rate	Carrying Amount £m	Impairment £m
Heritable	24/09/2008	24/10/2008	1.800	5.95%	0.191	0.215
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	0.876	0.082

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution.

Heritable Bank

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

To the end of 2012/13 interim dividends amounting to 77.44p in the £ had been paid.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity.

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

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

The Winding Up Board published details of Landsbanki's financial position in December 2012 and this showed that assets, including partial payments already made in respect of priority claims were greater than the sum of the priority claims. It is therefore still considered likely that the Council will recover 100% of its deposit. The final percentage is subject to the risk and uncertainty of exchange rate fluctuations.

The Winding Up Board of Landsbanki made two further distributions amounting to approximately 20p in the pound during 2012/13.

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

Recognition in the CIES

The total impairment recognised in the Comprehensive Income and Expenditure Statement amounting to £0.297m (£0.503m in 2010/11 reduced by £0.049m in 2011/12 & £0.157m in 2012/13), has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

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

Bank	Credited 2011/12 £	Received 2011/12 £	Credited 2012/13 £	Received 2012/13 £
Heritable	23,677	680	12,779	357
Landsbanki	101,853	34,733	68,066	21,531

Based on the latest information available the authority considers that it is prudent to make an impairment adjustment for the deposits, and has taken the action outlined above. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Note 30 **Long-Term Investments**

31 March 2012 £000		31 March 2013 £000
1,126	Icelandic investments	779
2	Investments in Associates and Joint Ventures: Investment in RBT (Connect) Ltd	2
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
1,318		971

Note 31 **Inventories**

2011/12 £000		2012/13 £000
538	Balance at 1 April	566
4,010	Purchases	3,718
(3,727)	Recognised in year	(3,745)
(255)	Written on / (off) in year	(21)
566	Balance at 31 March	518

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 2013 (Nil 2011/12).

Note 33 **Debtors**

	Long Term		Short Term	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Central Government Bodies	0	0	8,347	10,168
Other Local Authorities	0	0	274	3,403
NHS Bodies	0	0	532	1,547
Public corporations and trading funds	0	0	69	272
Other Entities and Individuals	6,567	10,426	19,513	19,327
Total	6,567	10,426	28,735	34,717

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 March 2012 £000		31 March 2013 £000
20,300 (22,314)	Cash and Bank balances Bank Overdraft	21,920 (25,418)
(2,014)	Total Cash and Cash Equivalents	(3,498)

Note 35 Creditors

	2011/12 £000	2012/13 £000
Short-term Creditors		
Central Government Bodies	(8,347)	(6,747)
Other Authorities	(3,590)	(3,871)
NHS Bodies	(1,097)	(1,377)
Public corporations and trading funds	(86)	(256)
Other Entities and Individuals	(47,831)	(54,034)
Total Short Term Creditors	(60,951)	(66,285)

	2011/12 £000	2012/13 £000
Long-term Creditors		
Other creditors falling due after more than one year:		
Central Government Bodies	0	0
Other Authorities	0	0
NHS Bodies	0	0
Public corporations and trading funds	0	0
Other Entities and Individuals	(4,741)	(725)
Total Long Term Creditors	(4,741)	(725)
Total Creditors	(65,692)	(67,010)

Note 36 Provisions

	Balance as At 1 April 2012 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Transfer to reserve £000	Balance as at 31 March 2013 £000
Insurance Claims	(4,969)	(4,553)	3,449	479	0	(5,594)
Compensation Payments	(25)	0	0	0	0	(25)
Carbon Reduction Commitment	(393)	(417)	348	45	0	(417)
Severance Costs	(893)	(70)	893	0	0	(70)
Other	(11,206)	(1,687)	1,236	3,500	0	(8,157)
Total	(17,486)	(6,727)	5,926	4,024	0	(14,263)

Current Provisions	(7,694)	(2,174)	2,477	(1,255)	0	(8,646)
Long Term Provisions	(9,792)	(4,552)	3,449	5,279	0	(5,617)
Total	(17,486)	(6,727)	5,926	4,024	0	(14,263)

Comparative Year

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

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

Insurance claims

The overall Insurance Fund balance shown in the accounts is net of amounts (2012/13 Nil, 2011/12 Nil) that have been advanced internally on a short-term repayable basis.

The Council has just carried out a complete re-tender of its insurance arrangements, with new policies commencing 28 February 2013. The liability risk is now insured by QBE (via RMP) whilst the property risk is now insured by Zurich Municipal. The contracts are for three years with a two year optional extension.

Engineering Inspection and Small Craft insurance remains with Zurich Municipal.

There have been no significant changes regarding ongoing internally and externally-insured risks, and hence no significant changes to the operation of the Council's Insurance Fund. However provision has been made for the likely levy payments the Council will be required to make to MMI in order that MMI can settle its liabilities.

(a) Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers' liability, up to an agreed threshold per claim. Consequently, the Authority meets the first £100,000 of every settlement. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer, up to a stop-loss limit of £350,000 in any one period of insurance.

The Fund bears the first £50,000 of all claims involving education, municipal and housing property.

(c) Motor

All accidental damage to our own vehicles is self-funded. The Fund recoups the cost from user departments/services via a charge per vehicle. There is an excess of £500 on all claims (£1,000 for thefts) which is met initially by the Fund and recharged to owning departments. There is an excess of £500 on all underground plant claims. Third party risks remain with the external insurer.

(d) Council House Fires

The Fund bears all costs to repair fire damage on a full reinstatement basis. Blocks of flats above three storeys remain with the external insurer.

(e) Council Flats – Added Perils

The Fund insures blocks of flats for added perils where one or more flats have been sold under the right to buy arrangements.

(f) ICT Equipment

Where requested, schools ICT equipment is insured on the Fund on an 'All-Risks' basis. Responsibility for insurance of departmental ICT equipment also rests with the Fund..

(g) Other Equipment

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

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

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

Compensation payments

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/04. Provision was initially made for legal costs of the cases outstanding at the end of March, 2004. A large number of cases were resolved between 2004/05 and 2007/08. Due to the reduction in the number of claims being received and legal costs incurred the provision has been reduced to £25k which is considered sufficient to cover any potential liability on the historical live cases still outstanding at the end of March 2013.

Severance Costs

A provision has been made for the estimated severance costs associated with reductions in staff numbers for which a detailed formal plan was in place at 31 March 2013 and a reasonable expectation had been raised that the plan will be implemented. The expectation is these costs will be settled in 2013/14.

Other

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

Note 37 Usable Reserves

The Council's usable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 13 and Notes 1 and 2.

31 March 2012 £000		31 March 2013 £000
	CAPITAL RESERVES	
(5,428)	Capital Receipts Reserve	(14,888)
(2,657)	Major Repairs Reserve	(2,877)
(20,080)	Capital Grants Unapplied Account	(21,884)
	REVENUE RESERVES	
(7,359)	General Fund - Schools	(7,975)
(9,594)	General Fund - Non Schools	(10,180)
(29,993)	Earmarked Reserves	(30,221)
(8,327)	HRA	(15,129)
(716)	Earmarked HRA Reserves	(1,840)
(84,154)	TOTAL USABLE RESERVES	(104,994)

(a) Capital Receipts Reserve

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

(b) Major Repairs Reserve

The Council is required by regulation to establish a Major Repairs Reserve. The accounting arrangements for the Major Repairs Reserve effectively result in it being credited with total depreciation charged for the year on HRA assets. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that subsequent funding of capital expenditure does not affect the Housing Revenue Account.

(c) Capital Grants Unapplied Account

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

(d) General Fund

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

(e) Earmarked Reserves

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

(f) HRA

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

Note 38 **Unusable Reserves**

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

As Restated 31 March 2012 £000		31 March 2013 £000
	CAPITAL RESERVES	
(368,598)	Capital Adjustment Account	(345,774)
(84,945)	Revaluation Reserve	(91,620)
(123)	Deferred Capital Receipts	(108)
	REVENUE RESERVES	
290,735	Pensions Reserve	372,469
7,135	Short term accumulating absences account	6,890
14	Financial instruments adjustment account	(31)
(3,015)	Collection Fund adjustment account	(3,300)
(158,797)	TOTAL UNUSABLE RESERVES	(61,474)

(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.

2011/12 £000		2012/13 £000
(446,575)	Balance 1 April	(368,598)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
74	Amortisation of Intangible Assets	135
88,697	Charges for depreciation and impairment of non-current assets	68,097
24,429	Revenue expenditure funded from capital under statute	(523)
3,612	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,382
12,445	Depreciation - Major Repairs Reserve	12,702
(884)	Write down of Met Debt deferred Liability	(973)
	Adjusting amounts written out to Revaluation Reserve:	
(1,589)	Disposal	(4,750)
(1,498)	Excess of current cost depreciation over historic cost depreciation	(1,463)
	Capital Financing Applied in the year:	
(36)	Use of Capital Receipts Reserve to finance capital expenditure	(940)
(10,464)	Use of Major Repairs Reserve to finance capital expenditure	(18,595)
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
(25,509)	Application of grants to capital financing from the Capital Grants Unapplied Account	(28,774)
(10,078)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,819)
(1,222)	Capital expenditure charged against the General Fund and HRA balances	(1,656)
(368,598)	TOTAL	(345,775)

(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.

As Restated 2011/12 £000		2012/13 £000
(75,333)	Balance 1 April as previously reported	(84,945)
(6,950)	Prior period adjustment – Heritage Assets	0
(82,283)	Balance as restated	0
(5,749)	Net revaluation gains/losses not charged to the Surplus / Deficit on Provision of Services	(12,889)
0	Impairment losses and reversals thereof not charged to the Surplus / Deficit on Provision of Services	0
(5,749)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(12,889)
1,589	Accumulated Gains on assets sold or scrapped	4,750
1,498	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	1,463
(84,945)	Balance at 31 March	(91,621)

(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.

2011/12 £000		2012/13 £000
(130)	Balance 1 April	(123)
7	Transfer to the Capital Receipts Reserve of cash received	15
(123)	Balance at 31 March	(108)

(d) Movements in Available for Sale Financial Instruments Reserve

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

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

At 31 March 2013 the Council held no financial assets classified as available-for-sale.

(e) Pensions Reserve

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

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

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

2011/12 £000		2012/13 £000
238,068	Balance 1 April	290,735
47,521	Actuarial (gains) or losses on pensions and pensions assets and liabilities	73,388
30,558	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	33,588
(25,412)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,242)
290,735	Balance 31 March	372,469

(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.

2011/12 £000		2012/13 £000
7,426	Balance 1 April	7,135
(7,426)	Settlement or cancellation of accrual made at the end of the preceding year	(7,135)
7,135	Amounts accrued at the end of the current year	6,890
(291)	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	(245)
7,135	Balance at 31 March	6,890

(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.

2011/12 £000		2012/13 £000
118	Balance at 1 April	14
(104)	Movement in year:	(47)
0	Premium and discounts	2
	Soft Loans	
14	Balance carried forward at 31 March	(31)

(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.

2011/12 £000		2012/13 £000
(2,724)	Balance 1 April	(3,015)
(291)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(285)
(3,015)	Balance at 31 March	(3,300)

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

2011/12 £000		2012/13 £000
	The cash flows for operating activities include the following items:	
(150)	Interest received	(565)
34,926	Interest paid	34,363
594,551	Operating expenditure	585,080
(677,695)	Operating Income	(665,427)
(48,368)	Net cash inflow from Operating Activities	(46,549)

Note 40 **Cash Flow – from Investing Activities**

2011/12 £000		2012/13 £000
129,950	Purchase of property, plant and equipment, investment property and intangible assets	58,070
(3,415)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,769)
(19,399)	Capital Grants and Contributions Received	(31,826)
(13,126)	Other receipts from investing activities	0
94,010	Net cash outflow from Investing Activities	14,475

Note 41 **Cash Flow – from Financing Activities**

2011/12 £000		2012/13 £000
(417,003)	Cash receipts of short- and long-term borrowing	(223,085)
(924)	Other receipts from financing activities	13,557
5,110	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,004
364,999	Repayments of short- and long-term borrowing	229,288
15,402	Other payments for financing activities	11,794
(32,416)	Net cash (inflow) / outflow from Financing Activities	33,558

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 overleaf.

2011/12 £000		2012/13 £000
694,654	Opening Capital Financing Requirement	758,763
	Capital Investment:	
61,828	Property, Plant and Equipment	53,557
29,098	Property, Plant and Equipment – Increase in finance lease Liability	0
0	Investment Properties	149
5	Assets Held for Sale	0
183	Intangible Assets	510
0	Heritage Asset	2
7,538	Long Term Debtors (Capital Expenditure Loans)	4,227
24,429	Revenue Expenditure funded from Capital under Statute	(522)
817,735		816,686
	Sources of finance	
(36)	Capital receipts	(940)
(25,509)	Government grants and other contributions	(28,774)
(10,464)	Major Repairs Allowance	(18,595)
	Sums set aside from revenue:	
	Direct revenue contributions:	
(172)	General Fund	(698)
(1,050)	Housing Revenue Account	(958)
(8,606)	Minimum Revenue Provision	(9,680)
(13,135)	Write down of finance lease liability	(2,004)
(58,972)		(61,649)
758,763	Closing Capital Finance Requirement	755,037

2011/12 £000	Explanation of movements in year	2012/13 £000
369	Increase in underlying need to borrowing (supported by government financial assistance)	213
47,776	Increase in underlying need to borrowing (unsupported by government financial assistance)	(3,939)
29,079	Assets acquired under finance leases	0
(13,116)	Assets acquired under PFI/PPP contracts	0
64,108	Increase/(decrease) in Capital Financing Requirement	(3,726)

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.

Council as lessee**(a) Finance leases**

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

	31 March 2012 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
Short Term Creditors	(162)	(176)
Other Long Term Liabilities	(29,056)	(28,881)
Finance costs payable in future Years	(115,208)	(112,508)
Minimum lease payments	(144,426)	(141,565)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	(2,862)	(2,862)	(162)	(176)
Later than one year and not later than five years	(11,588)	(11,893)	(735)	(742)
Later than five years	(129,976)	(126,810)	(28,231)	(28,139)

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

2011/12 £000		2012/13 £000
28,965	Land and buildings	28,946
245	Vehicles, Plant, Furniture and Equipment	195
29,210	Total	29,141

(b) Operating leases

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

2011/12 £000		2012/13 £000
2,924	Within one year	3,110
6,334	Between one year and five years	3,872
5,902	After more than five years	5,753

The expenditure charged to service in 2012/13 in the Comprehensive Income and Expenditure statement in relation to these leases was £3.382m (£3.796m 2011/12).

Council as lessor**(a) Finance leases**

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.

(b) Operating leases

Most of the property and equipment leased out by the Council meets the definition of investment property. The rental income earned from leasing out these investment properties is disclosed in Note 20.

Note 44 Private Finance Initiative and Similar Contracts

As at 31 March 2013 the Council has in place two long-term contracts under Private Finance Initiative (PFI) arrangements and has reached financial close on one other. In addition, it has in place one partnership agreement.

As a result of a change to the way in which PFI Schemes and Similar Contracts were accounted for in 2009/10 on transition to IFRS, assets within the PFI Schemes or Similar Contracts were brought on Balance Sheet. The movement in the carrying value of these assets is disclosed in the Property Plant and Equipment note (Note 19a).

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

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 9 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All the schools were completed in line with the original programme. At the expiry of the contract the schools transfer back to the Council for nil consideration. The agreed government funding is being received and the Authority has established a fund to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £14.483m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6,222,509 of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand alone swimming pool and a joint service centre. The contract with DC Leisure Management Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31st October 2041, when all the assets transfer back to the Council for nil consideration. £24.954m of PFI Credits have been awarded to support the scheme. All 5 facilities are operational. Payments during the year totalled £4.140m. In the same period the Council received £1,810,796 of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008, who now manage the Borough's bereavement services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the Assets revert back to the Council for nil consideration. This is a partnership that will improve the provision of bereavement services to the Rotherham public, with significant investment having taken place on the crematorium facility and the wider East Herringthorpe site.

(d) Waste Management PFI

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

(d) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2012/13:

	31 March 2012 £000	31 March 2013 £000
Balance outstanding at start of year	(115,240)	(102,124)
Principal repaid in year	3,525	1,842
Finance Lease Liability written off	9,591	0
Balance outstanding at year end	(102,124)	(100,282)
Short term creditors	(1,842)	(1,758)
Long term liabilities	(100,282)	(98,524)

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	(10,265)	(1,758)	(8,967)	(20,990)
Two to five years	(45,814)	(6,986)	(34,668)	(87,468)
Six to ten years	(62,364)	(14,438)	(41,586)	(118,388)
Eleven to Fifteen years	(72,991)	(20,389)	(36,459)	(129,839)
Sixteen to twenty years	(82,476)	(31,419)	(29,637)	(143,532)
Twenty one to twenty five years	(41,450)	(15,768)	(15,830)	(73,048)
Twenty six to thirty years	(32,461)	(9,047)	(8,568)	(50,076)
Thirty one to thirty five years	(2,693)	(477)	(728)	(3,898)

Note 45 **Capitalised borrowing costs**

The Council capitalised £12,000 of borrowing costs during 2012/13 (£347,000 in 2011/12) the capitalisation rate used was 4.68% (4.72% in 2011/12).

Note 46 **Contingent Liabilities**

(a) Highfields Nursing Home

The owner of Highfields Nursing Home has issued legal proceedings in respect of alleged breach of contract between the Council and the nursing home. The Council denies these allegations and is defending the claim. The claim was struck out in October 2012 but the claimant has appealed, no hearing date for the appeal has been set.

Note 47 **Contingent Assets**

(a) Claims for recovery of tax

In response to a HMRC decision that Trade Waste provided by Local Authorities is now non business, the Council has submitted a claim for recovery of VAT of £410,626. A claim for recovery of £72,000 of VAT relating to sports activities has also been submitted as well as a £117,241 claim for VAT charged on administration of Disabled Facilities Grants; this is awaiting a HMRC policy review. The outcome of all three claims is at present uncertain.

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

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 April 2012 £	Income £	Expenditure £	Balance as at 31 March 2013 £
Treeton Council School War Memorial	604	26	0	630
EJ Butland, Treeton Infants	510	27	0	537
Whiston Two Wars Memorial	160	105	0	265
Total	1,274	158	0	1,432

Trust Funds – Balance Sheet

2011/12 £		2012/13 £
	Assets	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
31	- Debtors	31
1,243	- Cash	1,401
1,624	Total Assets	1,782
	Financed by:	
350	- Fund Balance	350
1,274	- Accumulated Investment Interest	1,432
1,624	Total Equity	1,782

The investments referred to above relate to War Loan Stock.

Note 49 **Material items of income and expenditure**

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

In 2012/13 there are no such items.

In 2011/12, there was one such entry:

- As part of the transition from the subsidy system to self financing, the Council was required to make a one off payment of £15.188m to CLG. This was shown separately on the face of the HRA and in Note 13 to the HRA.

Note 50 Other Long-term Liabilities

31 March 2012 £000		31 March 2013 £000	Notes
(100,282)	PFI Liability	(98,524)	44
(29,056)	Finance Lease Liability	(28,881)	43
(290,735)	Pension Liability	(372,469)	18
(12,238)	Deferred Liabilities	(11,168)	
(432,311)	Total	(511,042)	

Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 109 of this Statement refers). As at 31 March 2013 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £12,238,144 comprising £1,070,150 maturing within one year and £11,167,994 after that date.

Note 51 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Financial Services on 28 June 2013. 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 2013, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

One consequence of the introduction of the Business Rates Retention scheme is that the Council will assume a liability on 1 April 2013 representing refunds to ratepayers as a result of rating appeals against business rate income collected in 2012/13 or earlier financial years. The Council has made an overall estimate of the effect of existing and future rating appeals in determining its forecast retained business rates income for 2013/14 but in common with other authorities has received insufficient information to assess how much of this relates to 2012/13 and earlier. It is not therefore possible to estimate reasonably what liability the Council assumed on 1 April 2013.

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.

2011/12 £000		2012/13 £000	Notes
	Expenditure		
15,697	Repairs and maintenance	15,227	
13,810	Supervision and management	15,081	
1,820	ALMO Management Fee	0	
35	Rents, rates, taxes and other charges	3	
16,702	Negative subsidy - payments to Secretary of State	0	
14,598	Depreciation and impairment of Non Current Assets	32,999	
159	Debt management costs	206	
441	Provision for bad or doubtful debts	830	10
15,188	Self Financing Settlement Payment	0	13
78,450	Total Expenditure	64,346	
	Income		
63,109	Dwelling rents	69,807	
769	Non-dwelling rents	769	
3,544	Charges for services and facilities	4,345	
13,126	HRA subsidy receivable	157	
80,548	Total Income	75,078	
(2,098)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(10,732)	
244	HRA services share of Corporate and Democratic Core	270	
315	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	834	
(1,539)	Net Cost of HRA Services	(9,628)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(655)	Gain on sale of HRA Non Current Assets	(612)	
11,096	Interest Payable and similar charges	14,361	11
(73)	Interest receivable	(55)	
252	Pensions interest cost and expected return on pension assets	419	12
(2,389)	Capital grants and contributions receivable	(119)	
6,692	Deficit for the year on HRA services	4,366	

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

	2011/12 £000			2012/13 £000
	(2,772)	Balance on the HRA at the end of the previous year		(8,327)
6,692		Deficit for the year on HRA Income and Expenditure Account	4,366	
(12,698)		Adjustments between accounting basis and funding basis under statute	(12,291)	
(6,006)		Net increase before transfers to or from reserves	(7,925)	
451		Transfers to reserves	1,124	
	(5,555)	Increase in year on the HRA		(6,801)
	(8,327)	Balance on the HRA at the end of the current year		(15,128)

Notes to the Housing Revenue Account

Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2012/13	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>			
Charges for impairment of non current assets (Council dwellings only)	19,703	0	19,703
Capital grants and contributions applied	(119)	0	(119)
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(612)	0	(612)
Self Financing Settlement Payment	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>			
Capital expenditure charged against the General Fund and HRA balances	(958)	0	(958)
<u>Adjustments primarily involving the Major Repairs Reserve</u>			
Transfer from HRA to Major Repairs Reserve re notional MRA	(6,114)	6,114	0
HRA Depreciation to the Capital Adjustment Account	0	12,702	12,702
Use of the Major Repairs Reserve to finance new capital expenditure	0	(18,595)	(18,595)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	6	0	6
<u>Adjustments primarily involving the Pensions Reserve</u>			

2012/13	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,482	0	1,482
Employer's pension contributions and direct payments to pensioners payable in the year	(1,113)	0	(1,113)
Short-term Accumulated Absences Account	16	0	16
Total Adjustments	12,291	221	12,512

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

2011/12	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Use of the Major Repairs Reserve to finance new capital expenditure	0	(10,464)	(10,464)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account</u>			
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	(51)	0	(51)
<u>Adjustments primarily involving the Pensions Reserve</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,039	0	1,039
Employer's pension contributions and direct payments to pensioners payable in the year	(947)	0	(947)
Short-term Accumulated Absences Account	83	0	83
Total Adjustments	12,698	2,656	15,354

Note 2 Transfers to or from Earmarked Reserves

2012/13	Balance as At 1 April 2012	Transfers in And Contributions To Reserves	Transfers out And Contributions From Reserves	Balance as At 31 March 2013
	£000	£000	£000	£000
Furnished Homes	716	1,124	0	1,840
Total	716	1,124	0	1,840

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

The furnished homes service represents the provision of housing on which an additional charge for services and facilities is payable because the council house is furnished. The reserve represents the cumulative surplus made by the service to date and is available to support the existing scheme and any future expansion of the service.

Note 3 Housing Stock at 31 March 2013

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,202	2,781	4,987
2 Bedroom	1,974	2,833	1,915	6,722
3 Bedroom	8,614	305	44	8,963
4+ Bedroom	267	10	1	278
Total	10,859	5,350	4,741	20,950

Note 4 Housing Stock Valuations**(a) Property, Plant and Equipment**

	Council Dwellings £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
At 1 April 2012	533,900	7,802	0	4,197	0	545,899
Additions	18,975	309	475	50	1	19,810
Accumulated depreciation & impairment written out to gross cost/valuation	(23,513)	(736)	0	0	0	(24,249)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	923	1,040	0	139	0	2,102
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,287)	(599)	0	1	0	(1,885)
Derecognition – disposals	(1,208)	(56)	0	(104)	0	(1,368)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	18	0	0	0	18
Other movements in cost or valuation	179	364	0	(42)	0	501
At 31 March 2013	527,969	8,142	475	4,241	1	540,828
<u>Accumulated Depreciation and Impairment</u>						
At 1 April 2012	(23,328)	(736)	0	0	0	(24,064)
Depreciation charge	(12,316)	(377)	0	(8)	0	(12,701)
Accumulated depreciation written out to gross cost/valuation	12,218	501	0	0	0	12,719

	Council Dwellings £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Accumulated impairment written out to gross cost/valuation	11,294	236	0	0	0	11,530
Impairment (losses)/reversals recognised in the Revaluation Reserve	(430)	(306)	0	0	0	(736)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(18,416)	(4)	0	(50)	0	(18,470)
Derecognition – disposals	58	4	0	0	0	62
Other movements in depreciation and impairments	(5)	6		2	0	3
At 31 March 2013	(30,925)	(676)	0	(56)	0	(31,657)
Net Book Value:						
At 31 March 2013	497,044	7,466	475	4,185	1	509,171
At 31 March 2012	510,572	7,066	0	4,197	0	521,835

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

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

(b) Vacant possession

	£m
Value as at 1 April 2012	1,646

The difference between the Balance Sheet valuation of dwellings shown at (a) above and the vacant Possession value reflects the economic cost to Government of providing Council Houses at less than open market rents.

Note 5 Major Repairs Reserve

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

2011/12 £000		2012/13 £000
0	Balance as at 1 April	2,656
12,445	Depreciation in the year	12,702
675	Transfer to MRR	6,114
(10,464)	Financing of Capital Expenditure	(18,595)
2,656	Balance as at 31 March	2,877

Note 6 **Financing of Capital Expenditure**

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

	2012/13 £000
Borrowing Need	215
Capital Receipts	0
Revenue Contributions	958
Government Grants / Other Capital Income	42
Major Repairs Reserve	18,595
Total	19,810

During the year total capital receipts of £2.252m were received by the HRA, of which £1.027m was available to support capital expenditure within the Council.

Note 7 **Depreciation**

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2012 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2012 and has been calculated using the 'straight line' method over 15 years (30 years in 2011/12).

Note 8 **Impairment**

An impairment charge of £20,355m has been included in the HRA Income and Expenditure Account (£2.155m in 2011/12). This charge is reflected in the HRA Income and Expenditure Account in arriving at the deficit on the provision of HRA Services but the Council has taken advantage of transitional protection arrangements following the introduction of self – financing which allows the impairment relating to dwellings of £19.703m to be reversed out in determining the movement on the HRA Balance. Under Self-Financing legislation the impairment on non-dwellings cannot be reversed out and is a real charge to the HRA of £0.652m in 2012/13.

Note 9 HRA Subsidy

2011/12 £000	Notional HRA for Subsidy Calculation	2012/13 £000
33,445	Management and Maintenance	0
13,120	Major Repairs Allowance	0
12,590	Charges for Capital	0
(2)	Interest on Receipts	0
(62,791)	Guideline Rent Income	0
(3,638)		0
62	Prior year adjustment	157
(3,576)	Notional Surplus (to be paid to Government)	157

From April 2012 the government abolished the HRA subsidy system. The amount shown above for 2012/13 is the balance to be retained by RMBC relating to the final HRA subsidy claim for 2011/12.

Note 10 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2011/12 £000	Rent Arrears	2012/13 £000
1,448	Current Tenants	1,698
2,493	Former Tenants	2,776
3,941	As at 31 March	4,474

As at 31 March 2013, the level of rent arrears for current tenants as a proportion of gross rent income was 2.22% (2.09% 2011/12).

2011/12 £000	Bad Debt Provision in respect of rent income	2012/13 £000
2,220	As at 1 April	2,546
326	Increase in Provision	480
0	Utilised in year	(162)
2,546	As at 31 March	2,864

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

2011/12 £000	Bad Debt Provision in respect of the rechargeable repairs	2012/13 £000
130	As at 1 April	202
115	Increase in Provision	350
(43)	Utilised in year	(58)
202	As at 31 March	494

Note 11 Interest Payable and Other Charges

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

Note 12 Contributions to and from the Pensions Reserve

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

Note 13 Self Financing Settlement Payment

This was a one-off payment to Central Government in 2011/12 due to the closing down of the HRA subsidy system and is based on a calculation of the value of RMBCs housing stock as compared to its existing housing debt. The valuation was higher than the debt supported by HRA subsidy resulting in the Council being required to make a payment to Central Government.

THE COLLECTION FUND

By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2013

2011/12			2012/13		Note
£000	£000		£000	£000	
89,512		Council Tax	91,091		
0		Council Tax Transitional Relief	3		
<u>22,633</u>	112,145	Council Tax Benefits	<u>22,926</u>	114,020	
	<u>69,237</u>	National Non-Domestic Rates		<u>71,672</u>	2
	181,382	Total Income		185,692	
		<u>Precepts</u>			
94,793		Rotherham Borough Council	95,613		
9,966		South Yorkshire Police Authority	10,440		
<u>4,532</u>	109,291	South Yorkshire Fire & Civil Defence	<u>4,747</u>	110,800	
	1,890	Distribution of Collection Fund Surplus		2,619	
	68,374	Contribution to NNDR Pool		70,449	
		<u>Bad Debts</u>			
(147)		NNDR	213		
344		Council Tax	307		
<u>0</u>	197	Community Charge	<u>0</u>	520	
	213	Council Tax Write-Offs		154	
	701	NNDR Write-Offs		701	
	<u>309</u>	Collection Costs – NNDR		<u>309</u>	
	180,975	Total Expenditure		185,552	
	(407)	Surplus for the year		(140)	

THE COLLECTION FUND BALANCE

2011/12 £000		2012/13 £000	Note
(3,069) (407)	Balance as at 1 April Surplus for the year	(3,476) (140)	
(3,476)	Balance as at 31 March	(3,616)	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 2012/13 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 Equivalent properties	Ratio to Band D	Collection Rate @ 97%
A	35,618	6/9	34,549
B	15,194	7/9	14,738
C	11,732	8/9	11,380
D	7,724	9/9	7,492
E	4,813	11/9	4,669
F	2,189	13/9	2,124
G	925	15/9	897
H	50	18/9	49
	78,245		75,898

Note 2 National Non-Domestic Rates (NNDR) – Business Rates

Business Rates continue to be levied on non-domestic premises but the rate in the pound is determined by Central Government and is applied nationally (the national multiplier). All income from Business Rates is forwarded to Central Government and redistributed to individual Local Authorities on a population basis.

The NNDR collectable of £71,672,319.33 for 2012/13 (£69,237,398 in 2011/12) after allowing for reliefs and provisions was based on a total rateable value of £186,147,873 (£185,223,258 as at 31 March 2012) and a national multiplier of 45.8 pence in the pound and a small business rating multiplier of 45.0 pence in the pound (43.3 pence and 42.6 pence respectively in 2011/12).

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 2013 (£3.616m) represents funds ultimately to be distributed to the billing Authority (Rotherham MBC) and the major precepting Authorities (South Yorkshire Police Authority and South Yorkshire Fire and Civil Defence Authority) as follows:

2011/12 £000		2012/13 £000
3,015	Billing Authority – Rotherham MBC	3,300
317	Major Precepting Authorities:	217
144	- South Yorkshire Police Authority	99
	- South Yorkshire Fire and Civil Defence Authority	
3,476	Total	3,616

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

Note 6 **Parish Precepts**

Precept demands are issued by the parishes on the Council as Billing Authority. In turn the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable. The payment of the parish precepts appears as a charge in the Income and Expenditure Account.

METROPOLITAN DEBT ADMINISTRATION

The Council became responsible for the administration of the former South Yorkshire County Council Debt from 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

2011/12 £000	<u>Capital Account</u>	2012/13 £000
(11,503)	Cash at bank 1 April	(17,041)
(108)	Transfer from Financial Instruments Adjustments Account	(109)
(13)	Adjustment to loans outstanding for interest accruals	18
0	Add: Expenditure in the year – Loans repaid	291
(11,624)		(16,841)
0	Less Income:	0
5,417	Loans raised	6,228
	Repayments by Relevant Authorities	
(17,041)	Cash at bank 31 March	(23,069)

2011/12 £000	<u>Revenue Account</u>	2012/13 £000
5,720	Interest Paid on Outstanding Loans	5,689
124	Management and other expenses	123
5,844		5,812
80	Less Income:	98
	Notional Interest	
5,764		5,714
5,764	Recharge to Relevant Authorities	5,714
0		0

2011/12 £000	<u>Balance Sheet as at 31 March</u>	2012/13 £000
98,266	Capital Liabilities	97,956
(17,041)	Loans Outstanding	(23,069)
	Cash at bank	
81,225		74,887
80,917	- Capital Assets	74,688
	Advances Outstanding	
308	- Reserves	199
	Financial Instruments Adjustments Account (FIAA)	
81,225		74,887

Note 1 Financial Instruments – Balances

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

	Long Term		Short Term	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Financial liabilities (principal amount) - PWLB	96,412	96,121	0	0
Financial liabilities at amortised cost - PWLB	96,412	96,121	1,854	1,835
Loans and receivables (principal amount)	0	0	0	0
Loans and receivables at amortised cost	0	0	0	0

Note 2 Financial Instruments – Maturity Analysis

The maturity analysis of financial liabilities is as follows:

31 March 2012 £000		31 March 2013 £000
1,854	Less than one year	1,835
0	Between one and two years	0
60,223	Between two and seven years	76,432
36,189	Between seven and nine years	19,689
98,266		97,956

Note 3 Financial Instruments – Fair Values

The fair values of the financial instruments are as follows:

31 March 2012			31 March 2013	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
98,266	122,991	Financial Liabilities – Debt	97,956	121,312
0	0	Loans and Receivables	0	0

The fair value for financial liabilities is greater than the carrying value because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 4 Financial Instruments Adjustment Account

This reserve has been opened to hold the accumulated difference between the financing costs included in the Revenue Account and the accumulated financing costs required in accordance with regulations to be charged to the Metropolitan Debt Administration Account.

The SORP requires that unless directly attributable to a loan held at 31 March 2007 then all premiums and discounts carried on the Balance Sheet at that date are to be written off as at 1 April 2007. Government regulations allow for this impact to be neutralised through transfer to a new account, the Financial Instruments Adjustment Account. The balance of premium and discounts is amortised to the Revenue Account in line with the provisions set down in the Council's accounting policies.

2011/12 £000		2012/13 £000
416	Balance at 1 April	308
	Movement in year	
(108)	Premium and discounts	(109)
308	Balance carried forward at 31 March	199

Note 5 Authorised Limit and Operational Boundary

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

Accounting Policies

- A) Statement of Accounting Policies
- B) Accounting Standards issued but not yet adopted
- C) Critical Judgements in applying Accounting Policies
- D) Assumptions made about the future and other major sources of estimation

A **Statement of Accounting Concepts and Policies**

1 **General**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2012/13 ("the Code") and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

The International Accounting Standards Board Framework sets out the concepts that underlie the preparation and presentation of financial statements. The Framework requires that in presenting information in its financial statements regard is had to:

- The objective of financial statements which is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources
- The underlying assumptions that financial performance is reported on an accruals basis and the financial statements are prepared on a going concern basis
- The qualitative characteristics of useful information are observed by ensuring that it is relevant, material, and faithfully represented (ie is complete, unbiased and properly determined in accordance with the Code, SeRCOP, the Council's accounting policies and by using appropriate estimation techniques)

In addition to being relevant, material and faithfully represented, the quality of information has been enhanced wherever possible by making it:

- Comparable with previous periods and with other authorities accounts
- Verifiable
- Timely, and
- Understandable to stakeholders and other users of the accounts having a reasonable knowledge of the business and economic activities of the Council

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. Consistent policies will be applied both within the year and between years. Where policies have changed the reason and effect is disclosed. The policies are presented to the Council's Audit Committee for approval.

2 **Changes in Accounting Policies and Estimates and Errors**

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

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

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

The only change to accounting standards of significance which impacts on 2012/13 is the implementation of the Council's accounting policy on heritage assets. Heritage assets have been brought on balance sheet at an effective date of 1 April 2011 at their valuation of £6.950m. The Prior Period Adjustment which has resulted is disclosed in Notes 23 and Note 38(b)

New standards that have come into effect on or before 1 January 2013 which are to be adopted in the 2013/14 version of the Code and will therefore apply to the 2013/14 financial year, together with an estimate of the financial effect of their adoption, if known, are disclosed in Note B on Page 132.

3 Accruals of Income and Expenditure

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

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

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

4 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

Corporate and Democratic Core and Non Distributed costs are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

In 2012/13, the Council undertook a review of the basis for charging out the overheads and support services re-integrated into the Council following termination of the RBT contract in January 2012. The net cost of service for 2012/13 is fully reflective of the outcome of this review.

5 Debtors

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

6 Creditors

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

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

Council Tax

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

National Non-Domestic Rates (NNDR)

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

Residual Community Charge

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

8 Inventories

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

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

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

9 Work in Progress (Construction Contracts)

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

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

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

10 Cash and Cash Equivalents

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

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

11 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when:

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

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

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

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

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

(a) Equal Pay

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

Contingent Liability

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

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

Contingent Asset

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

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

12 Reserves

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

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

13 Government and Non-Government Grants

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

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

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

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

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

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

14 Non-current Assets – Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Assets

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

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

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

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

Disposals

The carrying amount of an item is derecognised:

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

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

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

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No

depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (ie, freehold land and certain Community Assets) and assets that are not yet available for use (ie, assets under construction).

Depreciation is calculated on the following bases:

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

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

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

15 Charges to Revenue for Non-Current Assets

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

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

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

Following the introduction of self-financing, with effect from 2012/13, depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council has taken advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance included within the HRA Business Plan for that year.

Minimum Revenue Provision (MRP)

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

The Department of Communities and Local Government (CLG) has made Regulations that require Full Council to approve an MRP Statement in advance of each year. Detailed rules have been replaced by a single duty to charge an amount of MRP which the Council considers 'prudent'.

The Council approved the following MRP policy in relation to the financial year:

- (a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the regulations;
- (b) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by both supported and unsupported borrowing will be calculated using the methods of calculation prescribed in statutory MRP guidance over the expected useful life of the asset at the point the asset is brought into use; and
- (c) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by a 'capitalisation directive' (e.g. equal pay) will be calculated over the specified period(s) set down within the regulations using either the annuity method or equal instalments according to which is most appropriate.

16 Leases and Lease-Type Arrangements

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

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

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

The Council as Lessee

(a) Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

(b) Operating Leases

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

The Council as Lessor

(a) Finance Leases

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

(b) Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line

basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17 PFI and PPP Arrangements

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

PFI assets are initially recognised at their fair value when they are first made available for use (based on the cost to purchase the property, plant and equipment) balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Initial direct costs of the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – these are based on the planned lifecycle replacement within the PFI operator's financial model. The refurbishment or replacement of major components are recognised as additions to Property, Plant and Equipment when the relevant works are carried out. Differences between the actual amount or timing of the relevant works from that planned within the operator's financial model are adjusted for so that the gain or loss that arises is recognised over the period over which the Council benefits from the capital investment

18 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at

arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

19 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

21 Heritage Assets

Heritage assets are assets whose principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations because of their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, for example, insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

22 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

(a) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as

the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for –Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly

discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Instruments Entered Into Before 1 April 2006

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

23 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Pension strain costs are charged to Non Distributed Costs. However, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to

the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. An appropriation is therefore made to or from the Pensions Reserve via the Movement in Reserves Statement to effect this adjustment.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by South Yorkshire Pensions Authority

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

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9 % (2010/11 5.5%) (based on the indicative rate of return on high quality corporate bonds, including: UK Index Linked Bonds, UK Fixed Rate Bonds and Government Bonds). In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension
- The assets of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

24 Repayment of Debt – Metropolitan Debt

Principal repayments are based on a 10% Sinking Fund using a methodology prescribed in Statutory Instrument 1986 No. 437 and will be extinguished by 2020/21.

25 Value Added Tax (VAT)

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

26 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date the Director of Financial Services authorises the Accounts for issue are not reflected in the Statement of Accounts.

27 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

28 Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities this may require it to prepare group accounts. The definition of an associate has been widened and is based on the ability to control rather than actual control. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

B) Accounting Standards issued but not yet adopted

Amendments have been made to a number of accounting standards which have not been adopted by the Code until 2013/14. A brief description of the accounting changes and their estimated financial effect is provided below.

IAS 19 Employee benefits

The adoption of amendments to IAS 19 Employee benefits will impact on the point at which termination benefits are recognised and the classification, measurement and recognition of defined benefit costs.

The recognition point for termination benefits will change from that when an authority was demonstrably committed to a termination to the date when an authority can no longer withdraw an offer of termination benefits. Currently, the trigger point for recognising termination benefits is the date on which an application for early severance is granted by the approval panel. HR have advised that approval panel decisions can and have been reversed right up to the leaving date if an employee's circumstances change and they no longer wish to leave. The trigger point under the amendments to IAS 19, has therefore been changed to the date of leaving. At the end of March 2013, the provision made for staff for whom voluntary severance had been granted but who did not leave until after 31 March 2013 was £70,000. As this is not significant no adjustment will be made in 2013/14 to the financial position reported in the 2012/13 Statement of Accounts.

The main changes to the classification, measurement and recognition of defined benefit costs are:

- Interest on assets – interest income on plan assets is a new component of pension cost defined as the interest 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 discounted using the discount rate at the start of the year (market yield on high quality corporate bonds). It represents part of the expected return on assets. The remainder of the expected return on assets (net of investment expenses) is included within actuarial gains and losses. The interest on plan assets is offset against the interest on pension liabilities to arrive at the net interest cost
- Actuarial gains and losses – all actuarial gains and losses shall be recognised in the year in which they occur and are renamed remeasurements. Alternative approaches, such as the “corridor approach” which deferred recognition of actuarial gains and losses are no longer permitted. Actuarial gains and losses on liabilities due to changes in financial assumptions will also need to be disclosed separately from those due to changes in demographic assumptions
- Interest on current service cost now forms part of current service cost rather than interest on liabilities
- Admin expenses are recognised as a separate component of pension cost

The actuary has provided information which indicates that the Council's overall pension liability at 31 March 2013 of £372.469m is unaffected by these changes. However, the movement in the overall pensions liability between pension cost charged in arriving at the Surplus / (Deficit) on Provision of Services and remeasurements included within Other Comprehensive Income will change from £33.588m and £73.388m as reported in the 2012/13 Statement of Accounts to £38.767m and £68.209m respectively as restated under IAS19 amended. Prior year comparatives will be restated in the 2013/14 Statement of Accounts to reflect these changes.

C) Critical Judgements in applying Accounting Policies

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

- The Authority had £1.95m deposited with Landsbanki Islands hf, an Icelandic banking entity which collapsed in October 2008. Decisions by the Icelandic courts have confirmed the deposit has preferred creditor status. Following these decisions the Winding Up Board of Landsbanki made a first distribution in February 2012, with two further distributions during 2012/13. The Winding Up Board announced in December 2012 that recoveries in the Landsbanki Administration are still expected to exceed the book value of recognised priority claims and it is considered likely that the Council will recover 100% of its deposit.

The Authority also had £1.80m deposited with Heritable Bank plc (a UK subsidiary of Landsbanki Islands hf,) when it went into administration in October 2008. Repayments continue to proceed in an orderly manner with an expectation that 88p in the pound will be recovered.

- MMI - The finding of the Supreme Court judgement on 28 March 2012 in favour of the appellants against MMI has led to the appointment of an Administrator and the Scheme of Arrangement being invoked. The Council and other participating local authorities will therefore be required to make levy payments to MMI in order that it can settle its liabilities. The Council has made a provision in the 2012/13 accounts representing its best estimate based on information currently available as to what the likely liability might be.
- Accounting for local authority schools – The CIPFA / LASAAC consultation on the principles to be applied in accounting for local authority maintained schools has proved inconclusive. CIPFA are planning to continue their analysis and reconsult as part of the proposed changes to the 2014/15 Code. The basic issue at stake is whether a local authority exerts control over the governing bodies of the different type of local authority maintained school (community, foundation, voluntary aided and voluntary controlled) and hence whether the assets, liabilities, reserves and income and expenditure relating to an individual school should be recognised in the Council's Statement of Accounts. In the absence of further guidance from CIPFA, the Council has continued to follow past practice in recognising the income and expenditure of all local authority maintained schools for which it is responsible within the Comprehensive Income and Expenditure Statement and to show schools reserves and balances separately within the balance sheet. With regard to land and buildings, previous LAAP guidance has been followed in that community schools land and buildings are on balance sheet but only the playing fields and caretakers residence of voluntary aided or voluntary controlled schools are on balance sheet where owned by the Council.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Included in the Council's Balance Sheet at 31 March 2013 is an estimated pensions liability of £372.5m. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used to determine pension fund liabilities, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and expected returns on pension fund assets. Changes to these assumptions can have a material effect as illustrated by the fact the Council's estimated liability increased by £81.7m in 2012/13 as a result of changes to assumptions used to discount pension liabilities into present value terms and market expectations on the returns likely to be achieved on scheme assets. A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

Additional Information

Audit Certificate

Glossary



GLOSSARY

This listing will help Members and other readers to understand the terminology used within the Statement of Accounts.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ADDED YEARS

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers' must exercise this discretion in accordance with the national regulations and the Council's own policies.

ASSET

An asset is a resource controlled by the Authority as a result of past events from which future economic benefits or service potential is expected to flow to the Authority.

- A current asset is an amount which is expected to be realised within 12 months.
- A non-current asset is an amount which is expected to be realised after more than 12 months.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

An account maintained to provide a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

CAPITAL CHARGE

A charge made to service revenue accounts to reflect the cost of Non Current Assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other Non Current Assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's Non Current Assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced grant for Schools paid by the Department for Education and Skills (DfES) to the Local Authority; it replaces the Schools Formula Spending Share (FSS).

EARMARKED RESERVE

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

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES

Income arising from the provision of services e.g. the use of leisure facilities.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This reserve has been created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GENERAL FUND SERVICES

Comprises all services provided by the Council with the exception of services relating to the provision of local Council housing – which are accounted for in the Housing Revenue Account. The net cost of General Fund services is met by council tax, Government Grants and Business Rates.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HERITAGE ASSETS

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Non Current Assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INVENTORIES

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold

the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MAJOR REPAIRS RESERVE

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NET EXPENDITURE

Gross expenditure less specific grants and income for charging for services.

NET REALISABLE VALUE

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting 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 INITIATIVE (PFI)

A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENCE

Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

PRUDENTIAL CODE

Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, finance teams are required to take account of the CIPFA Prudential Code.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment

REVALUATION RESERVE

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non Current Assets.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORK IN PROGRESS (WIP)

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

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Slovak

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

Kurdish Sorani

كوردی سۆرانی

ئەگەر تۆ یان كەسێك كه تۆ دەیناسی پێویستی بەیارمەتی هەبیت بۆ ئەوەی لەم بەلگەنامە یە تێبگات یان بیخوینیتەو، تەكایە پەيوەندیمان پێوہ بكە لەسەر ئەو ژمارەییە سەرەوہدا یان بەو ئیمەیلە.

Arabic

عربي

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

Urdu

أردو

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

Farsi

فارسی

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