

# METROPOLITAN BOROUGH OF ROTHERHAM

## STATEMENT OF ACCOUNTS 2013/14

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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 Strategic Director of Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

**Certificate**

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 17th September 2014.

**Signed on behalf of Rotherham MBC**

.....

**Audit Committee Chair**

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

**The Director of Financial Services Responsibilities**

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

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

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

The Director of Financial Services has also:

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

**Director of Financial Services Certificate**

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31st March 2014 and its income and expenditure for the year then ended.

Signed.....

**Stuart Booth CPFA**

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

## FOREWORD BY THE DIRECTOR OF FINANCIAL SERVICES

### 1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2014 and shows its overall financial position at the end of that period.

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

The principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority are set out in the section of this report headed 'Statement of Accounting Policies'. These accounting policies are kept under review and updated where appropriate to take account of changes in accounting practice adopted within the Code. In 2013/14 there has been one change of significance which affects accounting for pension costs. The impact of this change is explained on Page 9.

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Authority and its chief financial officer for the accounts
- **An Explanatory Foreword** (Page 2) – which details the most significant matters reported in the accounts
- **A Statement of Accounting Policies** (Page 105) – The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting policies that have been applied in preparing the Council's 2013/14 financial statements are detailed on Page 105.
- **Financial Statements and related disclosure notes** – which are explained further below

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

### Financial Statements

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

The Authority's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 12) – The Comprehensive Income and Expenditure Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.
- **Movement in Reserves Statement (MIRS)** (Page 13) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable reserves are not available for use.
- **The Cash Flow Statement** (Page 16) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 89) – This Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 98) – By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

The Authority's financial position is reported through the:

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

The Council's Financial Statements also include the Metropolitan Debt Administration (Page 101) statement as under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at an average rate of interest with which to charge the four district councils and joint boards within the South Yorkshire area.

## 2 General Fund Services

Rotherham Metropolitan Borough Council set a Net Revenue Budget (including Schools' Budgets) of £375.745m for 2013/14, the actual out-turn is £375.595m, an underspend of £0.150m. This includes a reduction of £0.884m in schools' balances.

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

Overall net expenditure in 2013/14 was £0.150m less than the approved Budget. The principal reasons for this variation are set out below:

- A reduction of £0.884m in schools' delegated balances.
- A net overspend of £0.348m within Children & Young People's Services; principally relating to schools in deficit when converting to academies and Children's Social care.
- A net underspend of £0.746m within Environment and Development Services; principally relating to the generation of additional income.
- A net underspend of £0.682m across Neighbourhoods and Adult Services. Of this, £0.271m is attributable to Adult Services principally from additional Winter Pressures income from the Health Service and £0.411m to Neighbourhood services (across all services).
- A net underspend of £0.029m within Resources principally due to additional income generation.
- Central and Other Services delivered a small overspend of £0.075m.

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

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

## 2.1 Level of Reserves

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

In line with recommended best practice both the level of general reserves and the level and purpose of earmarked reserves have been reviewed and risk assessed as part of the preparation of the Council's 2014/15 Revenue Budget.

As at 31 March 2014 the Council has a balance on the General Fund of £11.221m. Allowing for the commitments of £0.999m leaves a balance of £10.222m available to support future years' budgets. This is equivalent to 4.9% of the Council's 2014/15 Net Revenue Budget and is deemed to be a prudent level, which will allow the Council to address any issues and pressures that may arise during the coming financial year. The Council also holds £25.467m in earmarked General Fund reserves set aside for specific purposes (excluding £0.151m Schools' Declared Savings and £7.818m Revenue Grants Reserve) – see Note 2 for further detail.

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

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

## 2.2 Housing Revenue Account Income and Expenditure Account

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

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

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

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

Increases to surplus:

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

Decreases to surplus:

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

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

### 3 Capital Spend and Borrowing in 2013/14

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

Total capital expenditure in 2013/14 amounted to £71.769m.

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

|   | 2013/14<br>£m |
|---|---------------|
| Children & Young People Services            | 20.961        |
| <u>Neighbourhoods &amp; Adult Services:</u> |               |
| - Housing Revenue Account                   | 26.592        |
| - Housing General Fund                      | 2.991         |
| - Adult Social Services                     | 0.722         |
| Environment & Development Services          | 18.446        |
| Resources                                   | 2.057         |
| <b>Total</b>                                | <b>71.769</b> |

**(b) Financing of this expenditure is analysed below:**

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

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

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

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

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

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

## Temporary Borrowing

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

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

## 4 Private Finance Initiatives

### Waste PFI

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

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

## 5 Pensions

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

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

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

The valuation identified an overall funding shortfall for the entire South Yorkshire Pensions Fund as at 31 March 2013 of £1,709m. Since the valuation date, however, the financial situation of the Pension Fund has improved, which has had the effect of reducing the funding deficit by £379m to £1,330m. The Council's share of the overall deficit was £186m. Under LGSS Regulations the lever of contributions must be sufficient to maintain the solvency of the Fund. The long term objective is to



recover the funding deficit over the next 22 years. In accordance with this strategy, in the three years from 2014/15 the Council will make additional contributions towards recovering the deficit in addition to contributions needed to cover the cost of benefits that will build up in the future.

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

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

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

## **6 Major Changes and Statutory Functions**

### **(a) Business rates**

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

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

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

### **(b) Council tax support**

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

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

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

### **(c) Public Health**

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

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

No significant assets or liabilities were transferred.

#### **(d) Schools converting to academy**

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

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

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

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

#### **(e) Combined Authority**

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

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

## **7 Significant Changes to Accounting Policies**

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

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

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

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

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

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

## **8 Outlook**

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

In addition to the ongoing reduction in funding levels, from April 2013 there has been an unprecedented transfer of financial risk from central government to local authorities through substantial reforms of the local government finance and Welfare (benefits) systems, including; the localisation of business rates, the continuing merging of specific grant funding into Formula Grant – often at much reduced rates –and

the abolition of Council Tax Benefit (which is now replaced with a local Council Tax Reduction Scheme). This has been compounded by the continued government restrictions on Council Tax levels, if a referendum is to be avoided.

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

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

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

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

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

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

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

Stuart Booth  
Director of Financial Services

**Main Financial Statements and Notes to the Core Financial Statements**

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

## Comprehensive Income and Expenditure Statement

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

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

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

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

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

## Movement in Reserves Statement

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

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

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

## Balance Sheet

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

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



## Cash Flow Statement

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

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

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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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.

| 2012/13   | Movements in Usable Reserves |                         |                          |                       |                          |                                |
|---|------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|--------------------------------|
|   | General Fund Balance         | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
|   | £000                         | £000                    | £000                     | £000                  | £000                     | £000                           |
| <u>Adjustments primarily involving the Capital Adjustment Account:</u>  |                              |                         |                          |                       |                          |                                |
| 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                          |
| <u>Adjustments primarily involving the Capital Receipts Reserve:</u>  |                              |                         |                          |                       |                          |                                |
| 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)                           |
| <u>Adjustment primarily involving the Major Repairs Reserve:</u>  |                              |                         |                          |                       |                          |                                |
| Reversal of Major Repairs Allowance credited to the HRA   | 0                            | (6,114)                 | 0                        | 6,114                 | 0                        | 0                              |
| HRA depreciation to capital adjustment account  | 0                            | 0                       | 0                        | 12,701                | 0                        | (12,701)                       |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                            | 0                       | 0                        | (18,595)              | 0                        | 18,595                         |
| <u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>   |                              |                         |                          |                       |                          |                                |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (51)                         | 6                       | 0                        | 0                     | 0                        | 45                             |

| Continued   | Movements in Usable Reserves |                                 |                                  |                               |                                  |  |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|   | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movements in Unusable Reserves<br>£000 |
| <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)   | 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)                               |

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

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

**Note 2**      **Transfers to and from Earmarked Reserves**

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

**Earmarked General Fund Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14. A brief description of the purpose of each General Fund reserve is provided as follows. A brief description of the HRA earmarked reserve is provided in Note 2 to the HRA on page 92.

(i) Insurance

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

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

## (ii) Commutation Adjustment

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

## (iii) Revenue Grant Reserve

The Revenue Grant Reserve represents revenue grants which have been recognised within income as the grant's terms and conditions have been met but yet to be applied. They will be used to meet future spending plans relevant to the grant.

## (iv) Local Authority Energy Fund (LAEF)

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

## (v) Museum

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

## (vi) Rotherham Economic Regeneration Fund (RERF)

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

## (vii) Maintenance of Buildings

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

## (viii) Managed Workspace Repairs and Renewals

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

## (ix) PFI – Leisure

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

## (x) Schools Declared Savings

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

## (xi) PFI – Schools

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



## (xii) Housing Improvement Programme (HIP)

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

Under the Works in Default scheme Environmental Health Officers may require private landlords to do improvements to their properties. An amount of £9,554 has been set aside in the event that landlords default in reimbursing the Council for the cost of the improvement works. This reserve has not been utilised in 2013/14.

## (xiii) Aston CSC Maintenance Fund

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

## (xiv) Kimberworth The Place Repairs &amp; Maintenance Fund

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

## (xv) Riverside Maintenance Fund

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

## (xvi) Environmental Management System (EMS) Implementation Fund

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

## (xvii) EIC Partnership Reserve

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

### **Note 3      Segmental Reporting**

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

- no charges are made within budget reports in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions rather than current service cost of benefits accrued in the year).

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

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

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

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

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

| 2012/13  | Directorate Analysis | 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)        |
| <b>Total Income</b>                                      | <b>(644,799)</b>     | <b>(120)</b>                       | <b>118,901</b>                                 | <b>52,296</b>           | <b>(473,722)</b> | <b>(259,648)</b>                         | <b>(733,370)</b> |
| 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)            |
| <b>Total Expenditure</b>                                 | <b>849,783</b>       | <b>(1,263)</b>                     | <b>(97,045)</b>                                | <b>(52,296)</b>         | <b>699,179</b>   | <b>51,146</b>                            | <b>750,325</b>   |
| <b>(Surplus) or Deficit on the provision of services</b> | <b>204,984</b>       | <b>(1,383)</b>                     | <b>21,856</b>                                  | <b>0</b>                | <b>225,457</b>   | <b>(208,502)</b>                         | <b>16,955</b>    |

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

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

**Note 4 Other Operating Expenditure**

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

**Note 5 Financing and Investment Income and Expenditure**

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

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

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

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

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

The net surplus for the year on traded services of £0.493m has not been allocated to specific services within the accounts, but forms part of the Council's Financing and Investment Income and Expenditure as disclosed in Note 5. The net surplus of £0.493m is after debiting £0.757m for IAS19 pension costs (2012/13 £0.055m debit). Comparatives for Construction, Street Cleansing and Landscaping have been restated.

The Council's traded services include:

Construction, Street Cleansing and Landscaping

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

Vehicle Maintenance

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

Property Services – Fee Billing

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

Engineering

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

Cleaning of Buildings

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

Markets

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

Building Control

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

School Support Services

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

Dispersed and Furnished Units

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

**Note 7**      **Taxation and Non Specific Grant Income**

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

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

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

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

**Capital Grants Credited to Taxation and Non Specific Grant Income**

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

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



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

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

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

#### Section 106 Developer Contributions

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

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

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

### **Note 9** **Acquired and discontinued operations**

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

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

No significant assets or liabilities were transferred.

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

### **Note 10** **Agency Services**

#### **NHS Funded Nursing Care**

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

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

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

### **Note 11** **Transport Act**

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

### **Note 12** **Pooled Budgets**

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

The first is for the provision of Intermediate Care services to provide a range of assessment, interim and nurse-led beds to facilitate earlier discharges from hospital. The second provides the full range of services for people with Learning Disabilities and is managed within a pooled budget. The Council acts as ‘host’ authority to both pooled arrangements. The pooled budget arrangement for Learning Disability Services ended in 2013/14.

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

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

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

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

| 2012/13<br>£000 | Integrated Equipment Store   | 2013/14<br>£000 |
|-----------------|--|-----------------|
| (995)           | Funding from Rotherham CCG   | (1,227)         |
| (322)           | RMBC (Adult Social Services) Contribution                              | (282)           |
| (1,317)         | Total Gross Income   | (1,509)         |
| 995             | NHS Expenditure  | 1,227           |
| 322             | RMBC Expenditure   | 282             |
| 1,317           | Total Gross Expenditure  | 1,509           |
| 0               | Net (surplus) / deficit arising on the pooled budget during the year   | 0               |
| 0               | RMBC share of the net (surplus) / deficit arising on the pooled budget | 0               |

### **Note 13**      **Members' Allowances**

Members' allowances and expenses during the year totalled £1,121,174 excluding Joint Authority allowances (2012/13 £1,106,691 excluding Joint Authority allowances). The employers' pension contributions associated with these allowances was £78,617 (2012/13 £81,802). Detailed information about Members' Allowances can be obtained from the Director of Financial Services, Resources Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

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

#### **Note 14**      **Staff Remuneration**

The Accounts and Audit Regulations 2011 require the disclosure of certain information relating to officers' emoluments. Details of the number of employees who received remuneration of £50,000 or more based on 2013/14 payroll information, expressed in bands of £5,000 is as follows:

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

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

The number of employees whose remuneration was £50,000 or more includes a number of staff, who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment) that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2013/14, the number of such employees was 25 (11 officers and 14 teachers).

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

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

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

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

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

Notes:

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

- (ii) The Director of Financial Services assumed the role of Section 151 Officer with effect from 22 November 2012. The 2012/13 comparative is part year only representing their earnings from this date until 31 March 2013. The additional payment is recompense for fulfilling their statutory role.
- (iii) The Director of Public Health commenced employment with effect from 1 April 2013. The additional payments represent various allowances to which they are contractually entitled under their TUPE transfer from the NHS.
- (iv) The LGPS Employer Pension contributions disclosed in 2012/13 and 2013/14 are based on the common rate of contribution set by the Actuary of 12 percent. Also contained in the disclosure is the Director of Public Health Employer Pension contributions that are based on the common rate of contribution set by the NHS Actuary of 14 percent.
- (v) 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 2013/14. The table below shows the cost to the Authority of staff who have left under the voluntary scheme, together with other departures and those who have been made compulsorily redundant. These costs include, where appropriate, the full pension strain cost arising from early retirement, for which the Council is required to make an additional payment to the Pensions Authority. It should be noted that whilst the full amount payable has been included, under an agreement with the Pensions Authority, this is settled and charged to revenue over a three year period.

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

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

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

| Exit package cost band (including special payments) | Number of compulsory redundancies |           | Total number of other departures agreed |            | Total number of exit packages by cost band |            | Total cost of exit packages in each band |                 |
|---|-----------------------------------|-----------|---|------------|--|------------|--|-----------------|
|   | 2012/13                           | 2013/14   | 2012/13                                 | 2013/14    | 2012/13                                    | 2013/14    | 2012/13<br>£000                          | 2013/14<br>£000 |
| Non Schools   |                                   |           |   |            |  |            |  |                 |
| £0 - £20,000  | 5                                 | 10        | 236                                     | 197        | 241  | 207        | 2,264                                    | 1,452           |
| £20,001 - £40,000                                   | 5                                 | 1         | 71                                      | 39         | 76   | 40         | 2,094                                    | 1,091           |
| £40,001 - £60,000                                   | 0                                 | 0         | 15                                      | 8          | 15   | 8          | 753                                      | 409             |
| £60,001 - £80,000                                   | 0                                 | 0         | 7                                       | 7          | 7  | 7          | 493                                      | 491             |
| £80,001 - £100,000                                  | 0                                 | 0         | 3                                       | 1          | 3  | 1          | 259                                      | 91              |
| £100,001 - £150,000                                 | 0                                 | 0         | 4                                       | 0          | 4  | 0          | 457                                      | 0               |
| £150,001 - £200,000                                 | 0                                 | 0         | 1                                       | 0          | 1  | 0          | 199                                      | 0               |
| £200,001 - £250,000                                 | 0                                 | 0         | 1                                       | 0          | 1  | 0          | 200                                      | 0               |
| <b>Total</b>  | <b>10</b>                         | <b>11</b> | <b>338</b>                              | <b>252</b> | <b>348</b>                                 | <b>263</b> | <b>6,719</b>                             | <b>3,534</b>    |

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

(vi) Termination Benefits

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

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

**Note 15**      External Audit Fees

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

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

**Note 16**      Dedicated Schools Grant

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

Details of the deployment of DSG are as follows:

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

### **Note 17**      **Related Party Transactions**

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

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

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

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

### **Joint Ventures and Associates**

#### (i) RBT (Connect) Limited

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

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



(ii) Digital Region Ltd

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

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

The Council has a shareholding in the equity of the company comprising 10% of the company's 'A' shares and 8.57% of the company's 'B' shares. The share capital of the company comprises 1,500 class A shares of £1 each and 70 class B shares of £1 each. The A shares are non equity shares which determine voting rights. The B shares confer entitlement to profits and losses. A restructure of the company to support its orderly closure was approved by the shareholders in June 2014. This will involve the £3.736m advanced by the Council up to and including 2013/14 being converted into a new class of C shares.

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

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

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

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

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

The share capital of the company is as follows:

Authorised and fully paid up Share Capital

£1.850 million

## Council's Shareholding:

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

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

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

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

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

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

(iv) Groundwork Cresswell, Ashfield and Mansfield Trust

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

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

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

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

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

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

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

(v) Groundwork Dearne Valley Limited

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

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

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

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

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

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

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

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

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

(vi) Inspire Rotherham Limited

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

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

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

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

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

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

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

(vii) Learners First Schools Partnership Ltd

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

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

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

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

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

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

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

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

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

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

(viii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to advance education of science and technology, provide facilities for recreational and other leisure time

occupation for the public at large in the interests of social welfare, and, to preserve buildings of historical importance to British industry.

At the time of publication of this Statement, accounts for the company for the year ending 29 March 2013 were available and the details are as follows:

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

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

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

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

(ix) Ministry of Food Limited

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

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

The operations of the company are supported by the Council and NHS Rotherham. The company temporarily closed its business premises in June 2013 and is due to reopen in the autumn of 2014. At the time of publication of this Statement, accounts for the company for the year ending 31 March 2013 were available and the details are as follows:

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

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

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

(x) The Northern College for Residential Adult Education Limited

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

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

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

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

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

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

During the financial year ended 31 March 2014, the company provided services to the Council of £2,078 (2011/12 £45,260) and incurred no charges from the Council (2012/13 nil).

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

(xi) Phoenix Enterprises (Rotherham) Ltd

This company commenced trading on 1 June 1998 and its principal activity is providing "Advice and Guidance to unemployed clients, including specialist support and wage subsidies."

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

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

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

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

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

(xii) Rotherham Renaissance Limited

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

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

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

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

(xiii) Rotherham United Community Sports Trust

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

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

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

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

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

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

(xiv) YHGfL Foundation

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

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

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

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

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

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

During the financial year ended 31 March 2014, the company provided services to the Authority to the value of £120,320 (2012/13 £136,962) and incurred no charges from the Council (2012/13 nil).

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

(xv) Yorkshire Purchasing Organisation

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

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

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

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

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

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

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

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



## Other

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

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

## Note 18 Pensions

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

### (a) Teachers

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

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

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

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

HM Treasury (HMT) has recently published the final Directions and the expected outcome of the Teachers' Pension Scheme valuation is a total contribution rate of 26%. The Teachers' Pension Scheme proposed final agreement provides that scheme members will pay an average contribution

rate of 9.6%, with the balance falling on employers; meaning that the new Scheme employer contribution rate will be 16.4% which will be payable from September 2015. Until then the existing rate of 14.1% will be payable, budgets have been prepared on this basis.

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

(b) Public Health Staff

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

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

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

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

(c) Other Local Government Employees

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

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

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

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

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

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

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

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

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

- The majority of benefits under the pensions' scheme will be paid many years into the future and in order to determine their value there is a need to make assumptions about factors that will affect the cost of the benefits such as; how long members will live, ill health retirements and members' decisions about their options under the scheme. If actual market levels or yields on gilt bonds etc. differ from assumptions the funding level can deteriorate and employers' contributions would be expected to increase as a result. To mitigate the risk around assumptions a sensitivity analysis has been undertaken showing the impact of small changes to the key assumptions (see sensitivity analysis later in this note). In assessing the potential level of liabilities the funds actuary has estimated the weighted average maturity profile of the defined benefit obligation to be 19 years.
- The Pensions Authority invests the funds held by the scheme with the aim of achieving a return on these funds to pay the benefits due, if actual investment returns do not in future match the assumptions then the value of the assets will be lower and a funding shortfall could arise. To address this South Yorkshire Authority has processes in place to monitor investment performance and the actuaries produce an annual review of the fund's performance (included in this is a comparison to other local authority funds). The Pension Fund's investment strategy is reviewed alongside each triennial valuation.
- Should an employer become unable to pay contributions or make good deficits, the Fund's assets will be lower than planned and the funding level will be lower than expected the short fall would then become the responsibility of any guarantor. This risk can be mitigated by regular reviews of employer covenants. Should an employer terminate their participation in the LGPS they would become an "Exiting Employer" and under the scheme Regulations the shortfall and its treatment would be determined in line with the agreed Termination Policy. As a last resort the regulations allow for the shortfall to be spread across the whole of the Fund with the liability falling on employers in relation to their size. This risk is mitigated by having guarantors and bonds for smaller employers admitted to the scheme.
- Rotherham Council does not act as guarantor for other employers. Council contractors with access to the LGPS are required to have bonds in place (which are subject to regular review) to cover unpaid liabilities should their business fail before the end of their contract with the Council. In addition, contractors' contributions are subject to smoothing arrangements which are intended to ensure that they are fully funded by the end of the contract period.

### **Transactions relating to Post-employment Benefits**

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

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

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

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

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

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

### Pension Assets and Liabilities recognised on the Balance Sheet

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

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

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

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

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

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

## Analysis of the Fair Value of Plan Assets:

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

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

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis discounted to present value terms using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Mercer Human Resources Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

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

Assets in the South Yorkshire Pension Fund are valued at fair value, which in line with the requirement of the Code is principally realisable or bid value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

### Sensitivity Analysis

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

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £20.820m if all other assumptions were held constant.
- If the rate of inflation were to be 0.1% higher, the defined benefit obligation would increase by £20.853m if all other assumptions were held constant.
- If the expected salary growth were to be 0.1% higher, the defined benefit obligation would increase by £4.787m if all other assumptions were held constant.
- If the discount rate were to be 0.1% higher, the defined benefit obligation would decrease by £20.456m if all other assumptions were held constant.

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

### Impact on the Authority's Cash Flows

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

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

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



**Note 19 Property, Plant and Equipment**

|  | Council<br>Dwellings<br>£000 | Other Land &<br>Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Surplus<br>Assets<br>£000 | Total PP&E<br>£000 |
|--|------------------------------|-----------------------------------|---|----------------------------------|-----------------------------|------------------------------------|---------------------------|--------------------|
| Cost or Valuation  |                              |                                   |   |                                  |                             |                                    |                           |                    |
| At 1 Apr 12 as restated  | 533,900                      | 593,909                           | 54,042                                    | 113,782                          | 5,766                       | 23,565                             | 18,196                    | 1,343,160          |
| Additions  | 18,975                       | 7,492                             | 2,258                                     | 5,548                            | 160                         | 18,265                             | 859                       | 53,557             |
| Accumulated Depreciation and Impairment written out to gross cost/valuation                  | (23,513)                     | (22,349)                          | 0   | 0                                | 0                           | 0                                  | (6,153)                   | (52,015)           |
| Revaluation increases/decreases to Revaluation Reserve - as restated                         | 923                          | 11,706                            | 0   | 0                                | 0                           | 0                                  | 2,935                     | 15,564             |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services           | (1,287)                      | (11,327)                          | 0   | 0                                | 0                           | 0                                  | (8,042)                   | (20,656)           |
| Derecognition - Disposals as restated  | (1,208)                      | (3,650)                           | (211)                                     | 0                                | 0                           | 0                                  | (9,225)                   | (14,294)           |
| Derecognition - Other  | 0                            | 0                                 | (48)                                      | 0                                | 0                           | 0                                  | 0                         | (48)               |
| Reclassified to/from Held for Sale   | 0                            | 0                                 | 0   | 0                                | 0                           | 0                                  | 1,425                     | 1,425              |
| Reclassified to/from Investment Properties   | 0                            | 567                               | 0   | 0                                | 0                           | 0                                  | 0                         | 567                |
| Other Movements in cost valuation as restated  | 179                          | (18,075)                          | 3,786                                     | 5,315                            | 809                         | (14,210)                           | 22,196                    | 0                  |
| At 31 Mar 13 as restated   | 527,969                      | 558,273                           | 59,827                                    | 124,645                          | 6,735                       | 27,620                             | 22,191                    | 1,327,260          |
| Depreciation and Impairment  |                              |                                   |   |                                  |                             |                                    |                           |                    |
| At 1 Apr 12 as restated  | (23,328)                     | (93,311)                          | (16,088)                                  | (22,036)                         | (5,038)                     | (640)                              | (3,151)                   | (163,592)          |
| Accumulated Depreciation and Impairment written out to gross cost/valuation                  | 23,513                       | 22,349                            | 0   | 0                                | 0                           | 0                                  | 6,153                     | 52,015             |
| Depreciation Charge  | (12,316)                     | (10,130)                          | (5,754)                                   | (2,735)                          | (3)                         | 0                                  | (84)                      | (31,022)           |
| Impairment losses/reversals to Revaluation Reserve   | (430)                        | (2,245)                           | 0   | 0                                | 0                           | 0                                  | (1)                       | (2,676)            |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services - as restated | (18,416)                     | (4,247)                           | (244)                                     | (1,310)                          | (1,074)                     | 0                                  | (2,264)                   | (27,555)           |
| Derecognition - Disposals  | 58                           | 1,693                             | 18  | 0                                | 0                           | 0                                  | 2,364                     | 4,133              |
| Derecognition - Other  | 0                            | 0                                 | 14  | 0                                | 0                           | 0                                  | 0                         | 14                 |
| Reclassification to / from Held for Sale   | 0                            | 0                                 | 0   | 0                                | 0                           | 0                                  | (790)                     | (790)              |
| Other movements in depreciation and impairment - as restated                                 | (5)                          | 4,152                             | 0   | 0                                | 0                           | 0                                  | (4,147)                   | 0                  |
| At 31 Mar 13 as restated   | (30,924)                     | (81,739)                          | (22,054)                                  | (26,081)                         | (6,115)                     | (640)                              | (1,920)                   | (169,473)          |
| Net Book Value   |                              |                                   |   |                                  |                             |                                    |                           |                    |
| At 31 Mar 13 as restated   | 497,045                      | 476,534                           | 37,773                                    | 98,564                           | 620                         | 26,980                             | 20,271                    | 1,157,787          |
| At 31 Mar 12 as restated   | 510,572                      | 500,598                           | 37,954                                    | 91,746                           | 728                         | 22,925                             | 15,045                    | 1,179,568          |

|  | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | PP&E Under Construction<br>£000 | Surplus Assets<br>£000 | Total PP&E<br>£000 |
|--|---------------------------|--------------------------------|-------------------------------------|-------------------------------|--------------------------|---------------------------------|------------------------|--------------------|
| Cost or Valuation  |                           |                                |                                     |                               |                          |                                 |                        |                    |
| 1 April 13 as restated   | 527,969                   | 558,273                        | 59,827                              | 124,645                       | 6,735                    | 27,620                          | 22,191                 | 1,327,260          |
| Additions  | 25,742                    | 12,451                         | 3,851                               | 3,841                         | 0                        | 21,042                          | 179                    | 67,106             |
| Accumulated Depreciation and Impairment written out to gross cost/valuation        | (31,335)                  | (38,069)                       | 0                                   | 0                             | 0                        | (1,095)                         | (669)                  | (71,168)           |
| Revaluation increases/decreases to Revaluation Reserve                             | 2,166                     | 16,627                         | 0                                   | 0                             | 0                        | 0                               | (3,091)                | 15,702             |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | 6,493                     | 8,363                          | 0                                   | 0                             | 0                        | 0                               | (1,187)                | 13,669             |
| Derecognition - Disposals  | (2,606)                   | (40,672)                       | (6,621)                             | 0                             | 0                        | 0                               | (173)                  | (50,072)           |
| Derecognition - Other  | 0                         | 0                              | (149)                               | 0                             | 0                        | 0                               | 0                      | (149)              |
| Reclassified to/from Held for Sale   | 0                         | 0                              | 0                                   | 0                             | 0                        | 0                               | (3,737)                | (3,737)            |
| Reclassified to/from Investment Properties   | 0                         | 0                              | 0                                   | 0                             | 0                        | 0                               | 1,380                  | 1,380              |
| Other Movements in cost valuation  | 48                        | (3,833)                        | 3,820                               | 1,566                         | 81                       | (8,097)                         | 5,992                  | (423)              |
| At 31 Mar 14   | 528,477                   | 513,140                        | 60,728                              | 130,052                       | 6,816                    | 39,470                          | 20,885                 | 1,299,568          |
| Depreciation and Impairment  |                           |                                |                                     |                               |                          |                                 |                        |                    |
| 1 April 13 as restated   | (30,924)                  | (81,739)                       | (22,054)                            | (26,081)                      | (6,115)                  | (640)                           | (1,920)                | (169,473)          |
| Accumulated Depreciation and Impairment written out to gross cost/valuation        | 31,335                    | 38,069                         | 0                                   | 0                             | 0                        | 1,095                           | 669                    | 71,168             |
| Depreciation Charge  | (12,919)                  | (11,296)                       | (5,088)                             | (2,972)                       | (3)                      | 0                               | (114)                  | (32,392)           |
| Impairment losses/reversals to Revaluation Reserve                                 | (577)                     | (2,380)                        | 0                                   | 0                             | 0                        | 0                               | (226)                  | (3,183)            |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services     | (24,475)                  | (9,470)                        | (3)                                 | (1,494)                       | (250)                    | (454)                           | (744)                  | (36,890)           |
| Derecognition - Disposals  | 70                        | 3,446                          | 1,390                               | 0                             | 0                        | 0                               | 3                      | 4,909              |
| Derecognition - Other  | 0                         | 0                              | 21                                  | 0                             | 0                        | 0                               | 0                      | 21                 |
| Reclassification to / from Held for Sale   | 0                         | 0                              | 0                                   | 0                             | 0                        | 0                               | 278                    | 278                |
| Other movements in depreciation and impairment                                     | (1)                       | 367                            | (55)                                | 0                             | 0                        | 0                               | (311)                  | 0                  |
| At 31 Mar 14   | (37,491)                  | (63,003)                       | (25,789)                            | (30,547)                      | (6,368)                  | 1                               | (2,365)                | (165,562)          |
| Net Book Value   |                           |                                |                                     |                               |                          |                                 |                        |                    |
| At 31 Mar 14   | 490,986                   | 450,137                        | 34,939                              | 99,505                        | 448                      | 39,471                          | 18,520                 | 1,134,006          |
| At 31 Mar 13 as restated   | 497,045                   | 476,534                        | 37,773                              | 98,564                        | 620                      | 26,980                          | 20,271                 | 1,157,787          |

(a) Carrying Value of PFI Assets

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

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

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

Effects of change in estimates

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

Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2013/14 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Economic and Development Services. The Statement of Accounting Policies provide further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

|                                    | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | Total<br>£000 |
|------------------------------------|---------------------------|--------------------------------|-------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|---------------|
| Carried at historical cost         | 23,138                    | 28,901                         | 60,728                              | 130,053                       | 6,812                    | 942                    | 39,471                            | 290,045       |
| <u>Valued at fair value as at:</u> |                           |                                |                                     |                               |                          |                        |                                   |               |
| 31 Mar 14                          | 505,339                   | 132,277                        | 0                                   | 0                             | 0                        | 18,120                 | 0                                 | 655,736       |
| 31 Mar 13                          | 0                         | 111,535                        | 0                                   | 0                             | 0                        | 897                    | 0                                 | 112,432       |
| 31 Mar 12                          | 0                         | 66,694                         | 0                                   | 0                             | 0                        | 0                      | 0                                 | 66,694        |
| 31 Mar 11                          | 0                         | 156,320                        | 0                                   | 0                             | 0                        | 801                    | 0                                 | 157,121       |
| 31 Mar 10                          | 0                         | 17,414                         | 0                                   | 0                             | 0                        | 126                    | 0                                 | 17,540        |
| Total Cost or Valuation            | 528,477                   | 513,141                        | 60,728                              | 130,053                       | 6,812                    | 20,886                 | 39,471                            | 1,299,568     |

#### Downward Revaluations and Impairment

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

#### Capital commitments

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

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

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

#### **Note 20**      **Investment Property**

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

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

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

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

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

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

### **Note 21      Intangible Assets**

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

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

**Note 22**      **Assets Held for Sale**

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

**Note 23**      **Heritage Assets**

Nature and scale of heritage assets held by the Council:

**Museum Exhibit**

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

- a) Social & Industrial History (around 11,000 items) - Contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day.
- b) Archaeology (around 6,500 items) - Includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham).
- c) World Cultures (around 300 items) - Consists of objects originating from Africa, Asia, the Americas and Oceania. In 1981 the collection was transferred on loan to Leeds Museum.
- d) Numismatics & Philately (over 3,000 items) - Includes items dating from the 4th century BC to the 20th century AD.
- e) Fine Art (around 3,000 items) - Consists of oil paintings, water-colours, prints and a good collection of sculpture items.
- f) Decorative Art (around 5,500 items) - Predominated by ceramic items including a large collection from Yorkshire potteries, the most significant being items from the Swinton Pottery/Rockingham Works.
- g) Natural Sciences (over 30,000 items) – Including botanical and geological specimens from Yorkshire and Great Britain.

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

Civic Regalia & Plate

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

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

Archives

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

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

Historic Buildings

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

These assets are carried at valuation rather than cost, both of them being valued on the 1st April 2012 by 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<br>£000 | Civic Regalia & Plate<br>£000 | Archives<br>£000 | Historic Buildings<br>£000 | Total<br>£000 |
|--------------------------|-------------------------|-------------------------------|------------------|----------------------------|---------------|
| <u>Cost or Valuation</u> |                         |                               |                  |                            |               |
| At 1 Apr 12 as restated  | 4,946                   | 1,746                         | 258              | 0                          | 6950          |
| 31 Mar 13                | 4948                    | 1746                          | 258              | 0                          | 6952          |

|                          | Museum Exhibits<br>£000 | Civic Regalia & Plate<br>£000 | Archives<br>£000 | Historic Buildings<br>£000 | Total<br>£000 |
|--------------------------|-------------------------|-------------------------------|------------------|----------------------------|---------------|
| <u>Cost or Valuation</u> |                         |                               |                  |                            |               |
| 1 Apr 13                 | 4,948                   | 1,746                         | 258              | 0                          | 6,952         |
| 31 Mar 14                | 4,948                   | 1,746                         | 258              | 0                          | 6,952         |

Heritage Asset Values

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

|               | Museum Exhibits<br>£000 | Civic Regalia & Plate<br>£000 | Archives<br>£000 | Historic Buildings<br>£000 | Total<br>£000 |
|---------------|-------------------------|-------------------------------|------------------|----------------------------|---------------|
| Historic Cost | 2                       | 0                             | 0                | 0                          | 2             |
| Valuation     | 4,946                   | 1,746                         | 258              | 0                          | 6,950         |
| Total Value   | 4,948                   | 1,746                         | 258              | 0                          | 6,952         |

|             | Museum Exhibits<br>£000 | Civic Regalia & Plate<br>£000 | Archives<br>£000 | Historic Buildings<br>£000 | Total<br>£000 |
|-------------|-------------------------|-------------------------------|------------------|----------------------------|---------------|
| 2011/12     | 0                       | 0                             | 0                | 0                          | 0             |
| 2012/13     | 2                       | 0                             | 0                | 0                          | 2             |
| 2013/14     | 0                       | 0                             | 0                | 0                          | 0             |
| Total Value | 2                       | 0                             | 0                | 0                          | 2             |

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

Disposal of Heritage Assets in 2013/14

There have been no Heritage Asset disposals in 2013/14.

**Note 24**      **Financial Instruments – Balances**

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

|   | Long Term         |                   | Short Term        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 31 Mar 13<br>£000 | 31 Mar 14<br>£000 | 31 Mar 13<br>£000 | 31 Mar 14<br>£000 |
| Financial Liabilities (principal amount)              | 476,163           | 448,884           | 12,274            | 27,280            |
| Plus Accrued Interest                                 | 0                 | 0                 | 4,762             | 4,750             |
| Plus(+)/Less(-) Other accounting adjustments          | 0                 | 0                 | 0                 | 0                 |
| Financial liabilities at amortised cost               | 476,163           | 448,884           | 17,036            | 32,030            |
| Financial liabilities at fair value through the I & E | 0                 | 0                 | 0                 | 0                 |
| Total Borrowings                                      | 476,163           | 448,884           | 17,036            | 32,030            |
| Loans and receivables (principal amount)              | 1,020             | 0                 | 14,459            | 19,754            |
| Plus Accrued Interest                                 | 0                 | 0                 | 1                 | 1                 |
| Plus(+)/Less(-) Other accounting adjustments          | (241)             | 0                 | (55)              | (6)               |
| Loans and receivables at amortised cost               | 779               | 0                 | 14,405            | 19,749            |
| Unquoted equity investments at cost                   | 192               | 192               | 0                 | 0                 |
| Total Investments                                     | 971               | 192               | 14,405            | 19,749            |

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



## **Note 25**      **Financial Instruments – Risk**

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

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

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

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

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

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

### **Credit Risk**

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

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

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

|   | Amount at                | Historical<br>experience of<br>default | Adjustment for<br>market<br>conditions at | Estimated<br>maximum<br>exposure to<br>defaults |
|---|--------------------------|--|---|---|
|   | 31 Mar 14<br>£000<br>(a) | %<br>(b)                               | 31 Mar 14<br>%<br>(c)                     | £000<br>(a*c)                                   |
| <u>Deposits with banks and financial institutions –<br/>excluding Icelandic Banks</u> |                          |  |   |   |
| AAA rated counterparties  | 19,651                   | 0.000%                                 | 0.000%                                    | 0   |
| AA rated counterparties   | 0                        | 0.030%                                 | 0.030%                                    | 0   |
| A rated counterparties  | 0                        | 0.080%                                 | 0.080%                                    | 0   |
| Bonds   | 0                        | 0.000%                                 | 0.000%                                    | 0   |
| <b>Total</b>  | <b>19,651</b>            |  |   | <b>0</b>  |
| <u>Debtors</u>  |                          |  |   |   |
| Long Term Debtors   | 10,528                   | 1.501%                                 | 1.501%                                    | 158   |
| Sundry Debtors  | 9,772                    | 10.909%                                | 10.909%                                   | 1,066   |
| Council Tax   | 6,213                    | 36.826%                                | 36.826%                                   | 2,288   |
| NNDR  | 1,263                    | 37.688%                                | 37.688%                                   | 476   |
| Community Charge  | 43                       | 95.349%                                | 95.349%                                   | 41  |
| Housing Benefits  | 3,231                    | 34.850%                                | 34.850%                                   | 1,126   |
| Housing Tenants   | 5,314                    | 63.436%                                | 63.436%                                   | 3,371   |
| Other Short-Term Debtors  | 19,713                   | 5.387%                                 | 5.387%                                    | 1,062   |
| <b>Debtors</b>  | <b>56,077</b>            |  |   | <b>9,588</b>                                    |

Except as disclosed later at Note 29 the Council has no exposure to losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would be classified as other counterparties.

The estimated maximum exposure to defaults of £9.588m represents the Council's provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

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

| 31 Mar 13<br>£000 |                        | 31 Mar 14<br>£000 |
|-------------------|------------------------|-------------------|
| 6,346             | Less than three months | 6,875             |
| 524               | Three to six months    | 333               |
| 312               | Six months to one year | 756               |
| 1,320             | More than one year     | 1,808             |
| <b>8,502</b>      |                        | <b>9,772</b>      |

### Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2014 was £0.931m (£1.051m as at 31 March 2013).

### Liquidity Risk

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

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

### Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

| 31 Mar 13<br>£000 |                                 | 31 Mar 14<br>£000 |
|-------------------|---------------------------------|-------------------|
| 17,036            | Less than one year              | 32,030            |
| 27,279            | Between one and two years       | 22,286            |
| 81,495            | Between two and seven years     | 71,529            |
| 62,882            | Between seven and fifteen years | 50,824            |
| 304,507           | More than fifteen years         | 304,245           |
| 493,199           |                                 | 480,914           |

The maturity analysis of financial assets is as follows:

| 31 Mar 13<br>£000 |                             | 31 Mar 14<br>£000 |
|-------------------|-----------------------------|-------------------|
| 14,405            | Less than one year          | 19,749            |
| 120               | Between one and two years   | 0                 |
| 128               | Between two and three years | 0                 |
| 531               | More than three years       | 0                 |
| 15,184            |                             | 19,749            |

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £9.772m are not shown in the above table. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

### Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| 2012/13 as restated<br>£000 |   | 2013/14<br>£000 |
|-----------------------------|---|-----------------|
| 250                         | Impact on Surplus or Deficit on the Provision of Services   | 241             |
| 0                           | Increase in Government grant receivable for financing costs   | 0               |
| 122                         | Share of overall impact debited to the HRA  | 117             |
| 0                           | Decrease in the fair value of fixed rate investment assets  | 0               |
| 0                           | Impact on Other Comprehensive Income and Expenditure  | 0               |
| (72,750)                    | Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | (64,536)        |

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

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

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

### Note 26 Financial Instruments – Gains/Losses

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2014 are as follows:

| 2012/13 |                                      | Financial Liabilities                  | Financial Assets      |                           |                             | 2013/14 |
|---------|--------------------------------------|--|-----------------------|---------------------------|-----------------------------|---------|
| Total   |                                      | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Fair value through the CIES | Total   |
| £000    |                                      | £000                                   | £000                  | £000                      | £000                        | £000    |
| 22,845  | Interest expense                     | 22,848                                 | 0                     | 0                         | 0                           | 22,848  |
| (76)    | Impairment (gain)                    | 0                                      | (184)                 | 0                         | 0                           | (184)   |
| 0       | Premium/discounts                    | 0                                      | 0                     | 0                         | 0                           | 0       |
| 11,768  | Finance Lease Interest               | 11,625                                 | 0                     | 0                         | 0                           | 11,625  |
| 34,537  | Interest payable and similar Charges | 34,473                                 | (184)                 | 0                         | 0                           | 34,289  |
| (595)   | Interest income                      | 0                                      | (595)                 | 0                         | 0                           | (595)   |
| 33,942  | Net gain (-) / loss (+) for the year | 34,473                                 | (779)                 | 0                         | 0                           | 33,694  |

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

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

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

The fair value is calculated as follows:

| 31 Mar 13       |            |                                       | 31 Mar 14       |            |
|-----------------|------------|---------------------------------------|-----------------|------------|
| Carrying amount | Fair Value |                                       | Carrying amount | Fair Value |
| £000            | £000       |                                       | £000            | £000       |
|                 |            | <u>Long and Short-term</u>            |                 |            |
| 298,125         | 366,372    | PWLB debt                             | 285,840         | 331,253    |
| 195,074         | 209,228    | Non-PWLB debt                         | 195,074         | 196,096    |
| 0               | 0          | Temporary                             | 0               | 0          |
| 493,199         | 575,600    | Total Debt                            | 480,914         | 527,349    |
| 67,010          | 67,010     | Trade Creditors                       | 62,912          | 62,912     |
| 560,209         | 642,610    | Total Financial Liabilities           | 543,826         | 590,261    |
| 14,405          | 14,405     | Money Market loans less than one year | 19,749          | 19,749     |
| 779             | 779        | Money Market loans more than one year | 0               | 0          |
| 0               | 0          | Bonds                                 | 0               | 0          |
| 192             | 192        | Equity                                | 192             | 192        |
| 10,436          | 10,436     | Long-term Debtors                     | 10,528          | 10,528     |
| 8,502           | 8,502      | Sundry Debtors                        | 9,772           | 9,772      |
| 5,309           | 5,309      | Council Tax                           | 6,213           | 6,213      |
| 0               | 0          | NNDR                                  | 1,263           | 1,263      |
| 43              | 43         | Community Charge                      | 43              | 43         |
| 3,102           | 3,102      | Housing Benefits                      | 3,231           | 3,231      |
| 4,473           | 4,473      | Housing Rents                         | 5,314           | 5,314      |
|                 |            | Other Short-Term :                    |                 |            |
| 21,222          | 21,222     | Debtors                               | 19,713          | 19,713     |
| (7,944)         | (7,944)    | Bad Debts Provision                   | (9,588)         | (9,588)    |
| 60,519          | 60,519     | Total Loans and Receivables           | 66,430          | 66,430     |

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

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

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

Government Regulations permit the removal of this charge through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2014 a £0.003m balance was held within the account.

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

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

At 31 March 2014 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

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

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

| Bank       | Date invested | Maturity Date | Amount Invested<br>£m | Interest Rate | Carrying Amount<br>£m | Impairment<br>£m |
|------------|---------------|---------------|-----------------------|---------------|-----------------------|------------------|
| Heritable  | 24/09/2008    | 24/10/2008    | 1.800                 | 5.95%         | 0.098                 | 0.006            |
| Landsbanki | 22/10/2007    | 20/10/2008    | 1.950                 | 6.13%         | 0                     | 0                |

All monies within these institutions have been subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority have in the main been determined by the administrators / receivers.

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

Heritable Bank

The latest indications are that the return to creditors is projected to be above 99p in the £ and the authority has therefore decided to make an impairment based on it recovering 99.67p in the £.

To the end of 2013/14 interim dividends amounting to 94.22p in the £ had been paid.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity.

During 2013/14 the Council approved the sale through competitive auction of its claim for the recovery monies invested in Landsbanki Islands hf. Recovery of £1.904m was achieved equivalent to 97.64p in the £

Recognition in the CIES

The total impairment recognised in the Comprehensive Income and Expenditure Statement amounting to £0.006m has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

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

| Bank       | Credited<br>2012/13<br>£ | Received<br>2012/13<br>£ | Credited<br>2013/14<br>£ | Received<br>2013/14<br>£ |
|------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Heritable  | 12,779                   | 357                      | 2,259                    | 638                      |
| Landsbanki | 68,066                   | 21,531                   | 43,105                   | 52,526                   |

**Note 30**      **Long-Term Investments**

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| £000    |  | £000    |
| 779     | Icelandic investments  | 0       |
|         | <u>Investments in Associates and Joint Ventures:</u>         |         |
| 2       | Investment in RBT (Connect) Ltd                              | 2       |
| 190     | Investment in BDR Property Limited (formerly Arpley Gas Ltd) | 190     |
| 971     | Balance at 31 March  | 192     |

**Note 31**      **Inventories**

| As restated<br>2012/13 |                                  | 2013/14 |
|------------------------|----------------------------------|---------|
| £000                   |                                  | £000    |
| 566                    | Balance at 1 April               | 518     |
| 6,090                  | Purchases                        | 6,893   |
| (6,117)                | Recognised in year as an expense | (6,590) |
| (21)                   | Written on / (off) in year       | (27)    |
| 518                    | Balance at 31 March              | 794     |

**Note 32**      **Construction contracts**

The Council has not recognised any significant contract revenue in respect of construction contracts with third parties during the year, and there are no significant construction contracts in progress at 31 March 2014 (Nil 2012/13).

**Note 33**      **Debtors**

|                                       | Short Term    |               | Long Term     |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2012/13       | 2013/14       | 2012/13       | 2013/14       |
|                                       | £000          | £000          | £000          | £000          |
| Central Government Bodies             | 10,168        | 8,586         | 0             | 0             |
| Other Local Authorities               | 3,403         | 684           | 0             | 0             |
| NHS Bodies                            | 1,547         | 3,143         | 0             | 0             |
| Public corporations and trading funds | 272           | 26            | 0             | 0             |
| Other Entities and Individuals        | 19,327        | 23,680        | 10,426        | 10,370        |
| <b>Total</b>                          | <b>34,717</b> | <b>36,119</b> | <b>10,426</b> | <b>10,370</b> |

**Note 34**      **Cash and cash equivalents**

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

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



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

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

### Note 35      Creditors

|                                       | Short Term |          | Long Term |         |
|---------------------------------------|------------|----------|-----------|---------|
|                                       | 2012/13    | 2013/14  | 2012/13   | 2013/14 |
|                                       | £000       | £000     | £000      | £000    |
| Central Government Bodies             | (6,747)    | (10,855) | 0         | 0       |
| Other Local Authorities               | (3,871)    | (3,254)  | 0         | 0       |
| NHS Bodies                            | (1,377)    | (2,554)  | 0         | 0       |
| Public corporations and trading funds | (256)      | 0        | 0         | 0       |
| Other Entities and Individuals        | (54,034)   | (43,198) | (725)     | (3,051) |
| Total                                 | (66,285)   | (59,861) | (725)     | (3,051) |

### Note 36      Provisions

| Current Year                | Balance as at<br>01 Apr 13<br>£000 | Increase in<br>provision<br>during year<br>£000 | Utilised<br>during year<br>£000 | Unused<br>Amounts<br>Reversed<br>£000 | Balance as at<br>31 Mar 14<br>£000 |
|-----------------------------|------------------------------------|---|---------------------------------|---------------------------------------|------------------------------------|
| Insurance Claims            | (5,594)                            | (3,706)   | 3,936                           | 0                                     | (5,364)                            |
| Compensation Payments       | (25)                               | (30)  | 0                               | 0                                     | (55)                               |
| Carbon Reduction Commitment | (417)                              | (431)   | 385                             | 32                                    | (431)                              |
| Severance Costs             | (70)                               | (288)   | 70                              | 0                                     | (288)                              |
| Business Rates Appeals      | 0                                  | (3,416)   | 0                               | 0                                     | (3,416)                            |
| Vehicle Repairs Costs       | 0                                  | (50)  | 0                               | 0                                     | (50)                               |
| Other                       | (8,157)                            | (199)   | 592                             | 331                                   | (7,433)                            |
| Total                       | (14,263)                           | (8,120)   | 4,983                           | 363                                   | (17,037)                           |
| Current Provisions          | (8,646)                            | (4,414)   | 1,047                           | 363                                   | (11,650)                           |
| Long Term Provisions        | (5,617)                            | (3,706)   | 3,936                           | 0                                     | (5,387)                            |
| Total                       | (14,263)                           | (8,120)   | 4,983                           | 363                                   | (17,037)                           |

| Comparative Year            | Balance as at<br>1 Apr 12<br>£000 | Increase in<br>provision<br>during year<br>£000 | Utilised<br>during year<br>£000 | Unused<br>Amounts<br>Reversed<br>£000 | Balance as at<br>31 Mar 13<br>£000 |
|-----------------------------|-----------------------------------|---|---------------------------------|---------------------------------------|------------------------------------|
| Insurance Claims            | (4,969)                           | (4,553)   | 3,449                           | 479                                   | (5,594)                            |
| Compensation Payments       | (25)                              | 0   | 0                               | 0                                     | (25)                               |
| Carbon Reduction Commitment | (393)                             | (417)   | 348                             | 45                                    | (417)                              |
| Business Rates Appeals      | 0                                 | 0   | 0                               | 0                                     | 0                                  |
| Severance Costs             | (893)                             | (70)  | 893                             | 0                                     | (70)                               |
| Vehicle Repairs Costs       | 0                                 | 0   | 0                               | 0                                     | 0                                  |
| Other                       | (11,206)                          | (1,687)   | 1,236                           | 3,500                                 | (8,157)                            |
| <b>Total</b>                | <b>(17,486)</b>                   | <b>(6,727)</b>                                  | <b>5,926</b>                    | <b>4,024</b>                          | <b>(14,263)</b>                    |
| Current Provisions          | (7,694)                           | (2,174)   | 2,477                           | (1,255)                               | (8,646)                            |
| Long Term Provisions        | (9,792)                           | (4,553)   | 3,449                           | 5,279                                 | (5,617)                            |
| <b>Total</b>                | <b>(17,486)</b>                   | <b>(6,727)</b>                                  | <b>5,926</b>                    | <b>4,024</b>                          | <b>(14,263)</b>                    |

### Insurance claims

The overall Insurance Fund balance shown in the accounts is net of amounts (2013/14 Nil, 2012/13 Nil) that have been advanced internally on a short-term repayable basis.

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

Engineering Inspection and Small Craft insurance remains with Zurich Municipal.

There have been no significant changes regarding ongoing internally and externally-insured risks, and hence no significant changes to the operation of the Council's Insurance Fund.

The initial levy payable in respect of MMI has now been paid, as has Rotherham's share of the South Yorkshire County Council levy. Provision also remains within the fund in respect of remaining MMI liabilities.

#### (a) Liability

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

#### (b) Fire

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

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

#### (c) Motor

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

(d) Council House Fires

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

(e) Council Flats – Added Perils

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

(f) ICT Equipment

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

(g) Other Equipment

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

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

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

Compensation payments

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/04. Provision was initially made for legal costs of the cases outstanding at the end of March, 2004. A large number of cases were resolved between 2004/05 and 2007/08. Due to the reduction in the number of claims being received and legal costs incurred the provision has been reduced to £25k which is considered sufficient to cover any potential liability on the historical live cases still outstanding at the end of March 2014.

Severance Costs

A provision has been made for the estimated severance costs associated with reductions in staff numbers arising from the restructuring of services for which detailed formal plans were in place at 31 March 2014. Expectations are that the plans will be implemented and that significant changes to the plans are unlikely and the costs of which had been identified. The expectation is these costs will be settled in 2014/15.

Rating appeals

Under the business rates retention regulations which came into effect on 1 April 2013, an allowance is made for the amount of business rate income it is estimated will have to be refunded to business ratepayers as a result of appeal. The provision represents the Council's share of the overall estimated liability for refunding business ratepayers income recognised up to and including the end of the financial year. The government has directed the Valuation Office to clear the backlog of outstanding appeals by July 2015. Accordingly, we anticipate the majority of refunds to be made during 2014/15 and the provision has therefore been classified as a current provision.

Vehicle Repairs Costs

A provision has been made for the estimated cost of repairs which are likely at the end of lease return arrangement for the waste fleet, to ensure vehicles meet the required condition.

Other

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

**Note 37**      **Usable Reserves**

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

| 31 Mar 13<br>£000 |                                  | 31 Mar 14<br>£000 |
|-------------------|----------------------------------|-------------------|
|                   | <b>CAPITAL RESERVES</b>          |                   |
| (14,888)          | Capital Receipts Reserve         | (18,316)          |
| (2,877)           | Major Repairs Reserve            | (5,224)           |
| (21,884)          | Capital Grants Unapplied Account | (20,135)          |
|                   | <b>REVENUE RESERVES</b>          |                   |
| (7,975)           | General Fund - Schools           | (6,305)           |
| (10,180)          | General Fund - Non Schools       | (11,221)          |
| (30,221)          | Earmarked Reserves               | (33,436)          |
| (15,129)          | HRA                              | (16,697)          |
| (1,840)           | Earmarked HRA Reserves           | (3,186)           |
| (104,994)         | <b>TOTAL USABLE RESERVES</b>     | (114,520)         |

**(a)**      **Capital Receipts Reserve**

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

**(b)**      **Major Repairs Reserve**

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all HRA assets. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that subsequent funding of capital expenditure does not affect the Housing Revenue Account.

**(c)**      **Capital Grants Unapplied Account**

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

**(d)**      **General Fund**

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

**(e)**      **Earmarked Reserves**

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

(f) HRA

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

**Note 38**      **Unusable Reserves**

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

| 31 Mar 13<br>£000 |  | 31 Mar 14<br>£000 |
|-------------------|--|-------------------|
|                   | <b>CAPITAL RESERVES</b>                  |                   |
| (345,774)         | Capital Adjustment Account               | (320,262)         |
| (91,620)          | Revaluation Reserve                      | (99,371)          |
| (108)             | Deferred Capital Receipts                | (104)             |
|                   | <b>REVENUE RESERVES</b>                  |                   |
| 372,469           | Pensions Reserve                         | 264,228           |
| 6,890             | Short term accumulating absences account | 5,209             |
| (31)              | Financial instruments adjustment account | (71)              |
| (3,299)           | Collection Fund adjustment account       | (298)             |
| (61,474)          | <b>TOTAL UNUSABLE RESERVES</b>           | (150,669)         |

(a) Capital Adjustment Account

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

| 2012/13   |   | 2013/14   |
|-----------|---|-----------|
| £000      |   | £000      |
| (368,598) | Balance 1 April   | (345,775) |
|           | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                  |           |
| 135       | Amortisation of Intangible Assets   | 239       |
| 68,097    | Charges for depreciation and impairment of non-current assets   | 42,013    |
| (523)     | Revenue expenditure funded from capital under statute   | 3,764     |
| 11,382    | Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 48,933    |
| 12,702    | Depreciation - Major Repairs Reserve  | 13,395    |
| (973)     | Write down of Met Debt deferred Liability   | (1,070)   |
|           | Adjusting amounts written out to Revaluation Reserve:   |           |
| (4,750)   | Disposal  | (2,995)   |
| (1,463)   | Excess of current cost depreciation over historic cost depreciation   | (1,773)   |
|           | Capital Financing Applied in the year:  |           |
| (940)     | Use of Capital Receipts Reserve to finance capital expenditure  | (2,332)   |
| (18,595)  | Use of Major Repairs Reserve to finance capital expenditure   | (16,942)  |
|           | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:  |           |
| (28,774)  | Application of grants to capital financing from the Capital Grants Unapplied Account  | (35,426)  |
| (11,819)  | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances                                 | (12,533)  |
| (1,656)   | Capital expenditure charged against the General Fund and HRA balances   | (9,760)   |
| (345,775) | TOTAL   | (320,262) |

(b) Revaluation Reserve

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

| 2012/13  |  | 2013/14  |
|----------|--|----------|
| £000     |  | £000     |
| (84,945) | Balance 1 April  | (91,621) |
| (12,889) | Net revaluation gains/losses not charged to the Surplus /( Deficit) on Provision of Services                           | (15,702) |
| 0        | Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services                | 3,184    |
| (12,889) | Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services | (12,518) |
| 4,750    | Accumulated Gains on assets sold or scrapped   | 2,995    |
| 1,463    | Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account            | 1,773    |
| (91,621) | Balance at 31 March  | (99,371) |

(c) Deferred Capital Receipts Reserve

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

| 2012/13 |   | 2013/14 |
|---------|---|---------|
| £000    |   | £000    |
| (123)   | Balance 1 April   | (108)   |
| 15      | Transfer to the Capital Receipts Reserve of cash received | 4       |
| (108)   | Balance at 31 March                                       | (104)   |

(d) Movements in Available for Sale Financial Instruments Reserve

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

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

At 31 March 2014 the Council held no financial assets classified as available-for-sale.

(e) Pensions Reserve

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

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

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

| 2012/13  |  | 2013/14   |
|----------|--|-----------|
| £000     |  | £000      |
| 290,735  | Balance 1 April  | 372,469   |
| 73,388   | Remeasurements of the net defined benefit liability/(asset)  | (116,095) |
| 33,588   | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 32,183    |
| (25,242) | Employer's pensions contributions and direct payments to pensioners payable in the year  | (24,329)  |
| 372,469  | Balance 31 March   | 264,228   |

(f) Short-term Accumulated Absences Account

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

balance on the Accumulating Absences Account therefore represents the amount of compensated absences earned which will fall as a charge on the General Fund in the future.

| 2012/13 |       |   | 2013/14 |         |
|---------|-------|---|---------|---------|
| £000    | £000  |   | £000    | £000    |
|         | 7,135 | Balance 1 April   |         | 6,890   |
| (7,135) |       | Settlement or cancellation of accrual made at the end of the preceding year   | (6,890) |         |
| 6,890   |       | Amounts accrued at the end of the current year  | 5,209   |         |
|         | (245) | Net amount charged to Comprehensive Income and Expenditure Statement in the year reversed out under regulation chargeable to revenue in the future when payments fall due |         | (1,681) |
|         | 6,890 | Balance at 31 March   |         | 5,209   |

(g) Financial Instruments Adjustment Account

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

General Transactions

The Code requires that unless directly attributable to a loan held at 31 March 2007 then all premium and discounts carried on the Balance Sheet at that date are to be written off to the General Fund Balance as at 1 April 2007. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The balance of premium and discounts will be amortised to revenue in line with the provisions set down in the Council's accounting policies.

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

| 2012/13 |                                     | 2013/14 |
|---------|-------------------------------------|---------|
| £000    |                                     | £000    |
| 14      | Balance at 1 April                  | (31)    |
|         | Movement in year:                   |         |
| (47)    | Premium and discounts               | (41)    |
| 2       | Soft Loans                          | 1       |
| (31)    | Balance carried forward at 31 March | (71)    |

(h) Collection Fund Adjustment Account

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



| 2012/13<br>NNDR<br>£000 | 2012/13<br>CTAX<br>£000 | 2012/13<br>Total<br>£000 |  | 2013/14<br>NNDR<br>£000 | 2013/14<br>CTAX<br>£000 | 2013/14<br>Total<br>£000 |
|-------------------------|-------------------------|--------------------------|--|-------------------------|-------------------------|--------------------------|
| 0                       | (3,015)                 | (3,015)                  | Balance 1 April  | 0                       | (3,300)                 | (3,300)                  |
| 0                       | (285)                   | (285)                    | Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance | 3788                    | (786)                   | 3,002                    |
| 0                       | (3,300)                 | (3,300)                  | Balance at 31 March  | 3,788                   | (4,086)                 | (298)                    |

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

| 2012/13<br>As restated<br>£000 |  | 2013/14<br>£000 |
|--------------------------------|--|-----------------|
| 30,579                         | Items included in the net surplus or deficit on the provision of services that are investing and financing activities:<br>Capital Grants credited to surplus or deficit on the provision of services | 33,676          |
| 11,769                         | Proceeds from the sale of property plant and equipment, investment property and intangible assets  | 7,425           |
| 42,348                         |  | 41,101          |
| (565)                          | Interest received  | (595)           |
| 34,363                         | Interest paid  | 34,302          |

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

| 2012/13<br>As restated<br>£000 |  | 2013/14<br>£000 |
|--------------------------------|--|-----------------|
| 53,843                         | Purchase of property, plant and equipment, investment property and intangible assets               | 68,376          |
| 4,227                          | Long term loans granted  | 206             |
| 13,557                         | Purchase of short term investments   | 4,336           |
| (11,769)                       | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (7,429)         |
| (31,826)                       | Capital Grants and Contributions Received  | (32,631)        |
| 0                              | Other receipts from investing activities   | (278)           |
| 28,032                         | Net cash outflow from Investing Activities   | 32,580          |

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

| 2012/13<br>As restated<br>£000 |  | 2013/14<br>£000 |
|--------------------------------|--|-----------------|
| (223,085)                      | Cash receipts of short- and long-term borrowing  | (719)           |
| 2,004                          | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,934           |
| 229,288                        | Repayments of short- and long-term borrowing   | 12,992          |
| 11,794                         | Other payments for financing activities  | 155             |
| 20,001                         | Net cash (inflow) / outflow from Financing Activities  | 14,362          |

**Note 42**      **Capital Expenditure and Financing**

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

| 2012/13 as<br>restated<br>£000 |   | 2013/14<br>£000 |
|--------------------------------|---|-----------------|
| 758,763                        | Opening Capital Financing Requirement                               | 755,036         |
| 53,557                         | Property, Plant and Equipment                                       | 66,941          |
| 0                              | Property, Plant and Equipment – Increase in finance lease Liability | 165             |
| 149                            | Investment Properties   | 6               |
| 0                              | Assets Held for Sale  | 0               |
| 0                              | Adjustment for Prior Year Abortive Costs                            | (1,095)         |
| 510                            | Intangible Assets   | 710             |
| 2                              | Heritage Asset  | 0               |
| 4,227                          | Long Term Debtors (Capital Expenditure Loans)                       | 206             |
| (523)                          | Revenue Expenditure funded from Capital under Statute               | 3,741           |
| 816,685                        | Sources of finance:   | 825,710         |
| (940)                          | Capital receipts  | (2,332)         |
| (28,774)                       | Government grants and other contributions                           | (35,426)        |
| (18,595)                       | Major Repairs Allowance   | (16,942)        |
|                                | Sums set aside from revenue   |                 |
|                                | Direct revenue contributions:                                       |                 |
| (698)                          | General Fund  | (1,323)         |
| (958)                          | Housing Revenue Account   | (8,437)         |
| (9,680)                        | Minimum Revenue Provision   | (9,865)         |
| (2,004)                        | Write down of finance lease liability                               | (1,935)         |
| (61,649)                       |   | (76,260)        |
| 755,036                        | Closing Capital Finance Requirement                                 | 749,450         |

| 2012/13<br>£000 | Explanation of movements in year  | 2013/14<br>£000 |
|-----------------|---|-----------------|
| 213             | Increase in underlying need to borrowing (supported by government financial assistance)   | 186             |
| (3,939)         | Increase in underlying need to borrowing (unsupported by government financial assistance) | (5,937)         |
| 0               | Assets acquired under finance leases  | 165             |
| 0               | Assets acquired under PFI/PPP contracts   | 0               |
| (3,726)         | Increase/(decrease) in Capital Financing Requirement                                      | (5,586)         |

### Note 43      Leases

The classification of all types of lease including land is assessed on who has the risks and rewards of ownership as for all other types of lease.

Contingent rents are expensed in the year in which they are incurred.

#### (a) Finance leases – Council as Lessee

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

|  | 31 Mar 13<br>£000 | 31 Mar 14<br>£000 |
|--|-------------------|-------------------|
| Finance Lease Liability outstanding at start of year | (29,218)          | (29,057)          |
| Principal repaid in year                             | 161               | 176               |
| New Liabilities arising in year                      | 0                 | (165)             |
| Balance outstanding at year end                      | (29,057)          | (29,046)          |
| Short Term Creditors                                 | (176)             | (224)             |
| Long Term Liabilities                                | (28,881)          | (28,822)          |

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

|   | Minimum Lease Payments |                   | Finance Lease Liabilities |                   |
|---|------------------------|-------------------|---------------------------|-------------------|
|   | 31 Mar 13<br>£000      | 31 Mar 14<br>£000 | 31 Mar 13<br>£000         | 31 Mar 14<br>£000 |
| Not later than one year                           | (2,862)                | (2,896)           | (176)                     | (224)             |
| Later than one year and not later than five years | (11,893)               | (12,325)          | (742)                     | (875)             |
| Later than five years                             | (126,810)              | (123,654)         | (28,139)                  | (27,947)          |

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

| 2012/13<br>£000 |  | 2013/14<br>£000 |
|-----------------|--|-----------------|
| 28,946          | Land and buildings                       | 29,171          |
| 195             | Vehicles, Plant, Furniture and Equipment | 308             |
| 29,141          | Total                                    | 29,479          |

(b) Operating leases – Council as Lessee

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

| As Restated<br>2012/13<br>£000 |                                 | 2013/14<br>£000 |
|--------------------------------|---------------------------------|-----------------|
| 3,352                          | Within one year                 | 2,100           |
| 3,634                          | Between one year and five years | 2,798           |
| 5,749                          | After more than five years      | 5,689           |

The expenditure charged to service in 2013/14 in the Comprehensive Income and Expenditure statement in relation to these leases was £3.328m (£3.382m 2012/13).

(c) Finance leases – Council as Lessor

The Council has leased out property to Thurcroft Junior School and land on which the Council's former Civic buildings were situated. The former is being leased out on a peppercorn rent. The minimum leased payments in respect of the latter were received in full as a premia. As a consequence, there is no net investment in finance lease receivable to bring onto the balance sheet.

(d) Operating leases – Council as Lessor

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

**Note 44** Private Finance Initiative and Similar Contracts

As at 31 March 2014 the Council has in place two long-term contracts under Private Finance Initiative (PFI) arrangements and has reached financial close on one other. In addition, it has in place one partnership agreement.

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

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

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 9 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All the schools were completed in line with the original programme. At the expiry of the contract the schools transfer back to the Council for nil consideration, with the exception of 5 PFI schools, 2 primary and 3 secondary schools which have converted to academy trusts during 2013/14 and therefore transfer to the individual trusts under 125 lease arrangements with the Council. The agreed government funding is being received and the Authority has established a fund to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £14.893m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6,222,509 of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand

alone swimming pool and a joint service centre. The contract with DC Leisure Management Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31<sup>st</sup> October 2041, when all the assets transfer back to the Council for nil consideration. £24.954m of PFI Credits have been awarded to support the scheme. All 5 facilities are operational. Payments during the year totalled £4.394m. In the same period the Council received £1,810,796 of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

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

(d) Waste Management PFI

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

(e) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2013/14:

|                                      | 31 Mar 13 | 31 Mar 14 |
|--------------------------------------|-----------|-----------|
|                                      | £000      | £000      |
| Balance outstanding at start of year | (102,124) | (100,282) |
| Principal repaid in year             | 1,842     | 1,758     |
| Finance Lease Liability written off  | 0         | 0         |
| Balance outstanding at year end      | (100,282) | (98,524)  |
| Short Term Creditors                 | (1,758)   | (1,596)   |
| Long Term Liabilities                | (98,524)  | (96,928)  |

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

|                                 | Payment for Services | Finance Lease Liability | Interest | Total   |
|---------------------------------|----------------------|-------------------------|----------|---------|
|                                 | £000                 | £000                    | £000     | £000    |
| Not later than one year         | 9,536                | 1,596                   | 8,782    | 19,914  |
| Two to five years               | 40,163               | 8,113                   | 34,647   | 82,923  |
| Six to ten years                | 56,325               | 15,212                  | 40,426   | 111,963 |
| Eleven to Fifteen years         | 65,521               | 22,063                  | 35,316   | 122,900 |
| Sixteen to twenty years         | 69,718               | 36,038                  | 29,876   | 135,632 |
| Twenty one to twenty five years | 34,721               | 8,022                   | 11,300   | 54,043  |
| Twenty six to thirty years      | 28,051               | 7,480                   | 7,119    | 42,650  |

**Note 45**      Capitalised borrowing costs

The Council capitalised £13,349 of borrowing costs during 2013/14 (£12,000 in 2012/13) the capitalisation rate used was 4.67% (4.68% in 2012/13).

**Note 46**      **Contingent Liabilities****Highfields Nursing Home**

The owner of Highfields Nursing Home has issued legal proceedings in respect of alleged breach of contract between the Council and the nursing home. The Council denies these allegations and is defending the claim.

**Child Sexual Exploitation**

The Council has received a number of claims in relation to child sexual exploitation. These are currently being investigated in the light of the findings in the recently published independent Inquiry. At this stage it is not possible to quantify reliably the potential financial effect or when any liabilities might arise.

**Note 47**      **Contingent Assets****Claims for recovery of tax**

Protective VAT claims have been submitted to HMRC to recover VAT on Trade Waste, Disabled Facilities Grants, Sports and Off Street Car Parking as well as Landfill Tax and Compound Interest. The quantity and strength of the claims have yet to be determined.

**Note 48**      **Trust Funds**

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

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

|                                     | Balance as at<br>01 Apr 13<br>£ | Income<br>£ | Expenditure<br>£ | Balance as at<br>31 Mar 14<br>£ |
|-------------------------------------|---------------------------------|-------------|------------------|---------------------------------|
| Treeton Council School War Memorial | 630                             | 30          | 0.0              | 660                             |
| EJ Butland, Treeton Infants         | 537                             | 30          | 0.0              | 567                             |
| Whiston Two Wars Memorial           | 265                             | 119         | 0.0              | 384                             |
| <b>Total</b>                        | <b>1,432</b>                    | <b>179</b>  | <b>0</b>         | <b>1,611</b>                    |

**Trust Funds – Balance Sheet**

| 2012/13<br>£ |                                       | 2013/14<br>£ |
|--------------|---------------------------------------|--------------|
|              | <u>Assets</u>                         |              |
|              | Investments                           |              |
| 58           | - Treeton Council School War Memorial | 58           |
| 59           | - EJ Butland, Treeton Infants         | 59           |
| 233          | - Whiston Two Wars Memorial           | 233          |
| 350          | Total Investments                     | 350          |
| 31           | - Debtors                             | 51           |
| 1,401        | - Cash                                | 1,560        |
| 1,782        | Total Assets                          | 1,961        |
|              | <u>Financed by:</u>                   |              |
| 350          | - Fund Balance                        | 350          |
| 1,432        | - Accumulated Investment Interest     | 1,611        |
| 1,782        | Total Equity                          | 1,961        |

The investments referred to above relate to War Loan Stock.

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

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

In 2013/14 there are no such items.

In 2012/13, there are no such items.

**Note 50**      **Other Long-term Liabilities**

| 31 Mar 13<br>£000 |                         | 31 Mar 14<br>£000 | Notes |
|-------------------|-------------------------|-------------------|-------|
| (98,524)          | PFI Liability           | (96,928)          | 44    |
| (28,881)          | Finance Lease Liability | (28,822)          | 43    |
| (372,469)         | Pension Liability       | (264,228)         | 18    |
| (11,168)          | Deferred Liabilities    | (9,991)           | 50    |
| (511,042)         | Total                   | (399,968)         |       |

**Deferred Liabilities**

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 101 of this Statement refers). As at 31 March 2014 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £11,167,994 comprising £1,177,165 maturing within one year and £9,990,829 after that date.

**Note 51**      **Events after the Balance Sheet date**

The Statement of Accounts was authorised for issue by the Director of Financial Services on 30 June 2014. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.



**Other Financial Statements and Notes to the Other Financial Statements**

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

Metropolitan Debt Administration

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

| 2012/13<br>£000 |   | 2013/14<br>£000 | Notes |
|-----------------|---|-----------------|-------|
|                 | <u>Expenditure</u>  |                 |       |
| 15,227          | Repairs and maintenance   | 17,130          |       |
| 15,081          | Supervision and management  | 16,276          |       |
| 3               | Rents, rates, taxes and other charges   | 210             |       |
| 32,999          | Depreciation and impairment of Non Current Assets   | 31,320          |       |
| 206             | Debt management costs   | 212             |       |
| 830             | Provision for bad or doubtful debts   | 839             | 10    |
| 64,346          | Total Expenditure   | 65,987          |       |
|                 | <u>Income</u>   |                 |       |
| 69,807          | Dwelling rents  | 74,612          |       |
| 769             | Non-dwelling rents  | 740             |       |
| 4,345           | Charges for services and facilities   | 4,893           |       |
| 157             | HRA subsidy receivable  | 0               |       |
| 75,078          | Total Income  | 80,245          |       |
| (10,732)        | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement                              | (14,258)        |       |
| 270             | HRA services share of Corporate and Democratic Core   | 265             |       |
| 834             | HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services          | 202             |       |
| (9,628)         | Net Cost of HRA Services  | (13,791)        |       |
|                 | <u>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</u> |                 |       |
| (612)           | Gain on sale of HRA Non Current Assets  | (1,015)         |       |
| 14,361          | Interest Payable and similar charges  | 14,312          | 11    |
| (55)            | Interest receivable   | (71)            |       |
| 419             | Pensions interest cost and expected return on pension assets  | 579             | 12    |
| (119)           | Capital grants and contributions receivable   | (474)           |       |
| 4,366           | (Surplus) / Deficit for the year on HRA services  | (460)           |       |

### Movement on the Housing Revenue Account Statement

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

|          | 2012/13  |  | 2013/14  |
|----------|----------|--|----------|
| £000     | £000     |  | £000     |
|          | (8,327)  | Balance on the HRA at the end of the previous year                     | (15,128) |
| 4,366    |          | (Surplus) / Deficit for the year on HRA Income and Expenditure Account | (460)    |
| (12,291) |          | Adjustments between accounting basis and funding basis under statute   | (2,455)  |
| (7,925)  |          | Net increase before transfers to or from reserves                      | (2,915)  |
| 1,124    |          | Transfers to reserves  | 1,346    |
|          | (6,801)  | Increase in year on the HRA  | (1,569)  |
|          | (15,128) | Balance on the HRA at the end of the current year                      | (16,697) |

## Notes to the Housing Revenue Account

### Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

| 2012/13   | Usable Reserves                 |                               |                                     |
|---|---------------------------------|-------------------------------|-------------------------------------|
|   | Housing Revenue Account<br>£000 | Major Repairs Reserve<br>£000 | Movement in Usable Reserves<br>£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)                               |
| <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>   |                                 |                               |                                     |
| Reversal of Major Repairs Allowance credited to the HRA   | (6,114)                         | 6,114                         | 0                                   |
| HRA Depreciation to the Capital Adjustment Account  | 0                               | 12,702                        | 12,702                              |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                               | (18,595)                      | (18,595)                            |
| <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>  |                                 |                               |                                     |
| 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                                  |
| <b>Total Adjustments</b>  | <b>12,291</b>                   | <b>221</b>                    | <b>12,512</b>                       |

| 2013/14   | Usable Reserves                 |                               |                                     |
|---|---------------------------------|-------------------------------|-------------------------------------|
|   | Housing Revenue Account<br>£000 | Major Repairs Reserve<br>£000 | Movement in Usable Reserves<br>£000 |
| <u>Adjustments primarily involving the Capital Adjustment Account:</u>  |                                 |                               |                                     |
| Charges for impairment of non current assets (Council dwellings only)   | 17,981                          | 0                             | 17,981                              |
| Capital grants and contributions applied  | (474)                           | 0                             | (474)                               |
| Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement   | (1,015)                         | 0                             | (1,015)                             |
| <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   | (8,437)                         | 0                             | (8,437)                             |
| <u>Adjustments primarily involving the Major Repairs Reserve:</u>   |                                 |                               |                                     |
| Transfer from HRA to Major Repairs Reserve re notional MRA  | (5,894)                         | 5,894                         | 0                                   |
| HRA Depreciation to the Capital Adjustment Account  | 0                               | 13,395                        | 13,395                              |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                               | (16,942)                      | (16,942)                            |
| <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>  |                                 |                               |                                     |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 1,221                           | 0                             | 1,221                               |
| Employer's pension contributions and direct payments to pensioners payable in the year  | (922)                           | 0                             | (922)                               |
| Short-term Accumulated Absences Account   | (11)                            | 0                             | (11)                                |
| <b>Total Adjustments</b>  | <b>2,455</b>                    | <b>2,347</b>                  | <b>4,802</b>                        |

## **Note 2      Transfers to or from Earmarked Reserves**

| 2012/13         | Balance as at<br>1 Apr 12<br>£000 | Transfers in and<br>Contributions to<br>Reserves<br>£000 | Transfers out and<br>Contributions from<br>Reserves<br>£000 | Balance as at<br>31 Mar 13<br>£000 |
|-----------------|-----------------------------------|--|---|------------------------------------|
| Furnished Homes | 716                               | 1,124  | 0   | 1,840                              |
| <b>Total</b>    | <b>716</b>                        | <b>1124</b>  | <b>0</b>  | <b>1840</b>                        |

| 2013/14         | Balance as at<br>1 Apr 13<br>£000 | Transfers in and<br>Contributions to<br>Reserves<br>£000 | Transfers out and<br>Contributions from<br>Reserves<br>£000 | Balance as at<br>31 Mar 14<br>£000 |
|-----------------|-----------------------------------|--|---|------------------------------------|
| Furnished Homes | 1840                              | 1,346  | 0   | 3186                               |
| <b>Total</b>    | <b>1840</b>                       | <b>1346</b>  | <b>0</b>  | <b>3186</b>                        |

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

**Note 3 Housing Stock at 31 March 2014**

|              | Houses        | Flats        | Bungalows    | Total         |
|--------------|---------------|--------------|--------------|---------------|
| 1 Bedroom    | 4             | 2,207        | 2,782        | 4,993         |
| 2 Bedroom    | 1970          | 2,826        | 1,915        | 6,711         |
| 3 Bedroom    | 8535          | 307          | 44           | 8,886         |
| 4+ Bedroom   | 266           | 9            | 1            | 276           |
| <b>Total</b> | <b>10,775</b> | <b>5,349</b> | <b>4,742</b> | <b>20,866</b> |

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

|  | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | PP&E Under Construction<br>£000 | Surplus Assets<br>£000 | Total PP&E<br>£000 |
|--|---------------------------|--------------------------------|-------------------------------------|---------------------------------|------------------------|--------------------|
| <b>Cost or Valuation</b>   |                           |                                |                                     |                                 |                        |                    |
| At 1 Apr 12  | 533,900                   | 7,802                          | 0                                   | 0                               | 4,197                  | 545,899            |
| Additions  | 18,975                    | 309                            | 475                                 | 1                               | 50                     | 19,810             |
| Accumulated Depreciation and Impairment written out to gross cost/valuation        | (23,513)                  | (737)                          | 0                                   | 0                               | 0                      | (24,250)           |
| Revaluation increases/decreases to Revaluation Reserve                             | 923                       | 1,040                          | 0                                   | 0                               | 139                    | 2,102              |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | (1,287)                   | (599)                          | 0                                   | 0                               | 1                      | (1,885)            |
| Derecognition  | (1,208)                   | (55)                           | 0                                   | 0                               | (104)                  | (1,367)            |
| Assets reclassified (to) / from Investment Property                                | 0                         | 18                             | 0                                   | 0                               | 0                      | 18                 |
| Other Movements in cost valuation  | 179                       | 364                            | 0                                   | 0                               | (42)                   | 501                |
| <b>At 31 Mar 13</b>  | <b>527,969</b>            | <b>8,142</b>                   | <b>475</b>                          | <b>1</b>                        | <b>4,241</b>           | <b>540,828</b>     |
| <b>Depreciation and Impairment</b>   |                           |                                |                                     |                                 |                        |                    |
| At 1 Apr 12  | (23,328)                  | (736)                          | 0                                   | 0                               | 0                      | (24,064)           |
| Accumulated Depreciation written out to gross cost/valuation                       | 12,218                    | 501                            | 0                                   | 0                               | 0                      | 12,719             |
| Accumulated Impairment written out to gross cost/valuation - as restated           | 11,295                    | 236                            | 0                                   | 0                               | 0                      | 11,531             |
| Depreciation Charge  | (12,316)                  | (377)                          | 0                                   | 0                               | (8)                    | (12,701)           |
| Impairment losses/reversals to Revaluation Reserve                                 | (430)                     | (306)                          | 0                                   | 0                               | 0                      | (736)              |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services     | (18,416)                  | (4)                            | 0                                   | 0                               | (50)                   | (18,470)           |
| Derecognition - Disposals  | 58                        | 4                              | 0                                   | 0                               | 0                      | 62                 |
| Other movements in depreciation and impairment                                     | (5)                       | 6                              | 0                                   | 0                               | 2                      | 3                  |
| <b>At 31 Mar 13 as restated</b>  | <b>(30,924)</b>           | <b>(676)</b>                   | <b>0</b>                            | <b>0</b>                        | <b>(56)</b>            | <b>(31,656)</b>    |
| <b>Net Book Value</b>  |                           |                                |                                     |                                 |                        |                    |
| At 31 Mar 13 as restated   | 497,045                   | 7,466                          | 475                                 | 1                               | 4,185                  | 509,172            |
| At 31 Mar 12   | 510,572                   | 7,066                          | 0                                   | 0                               | 4,197                  | 521,835            |

|  | Council<br>Dwellings<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | PP&E Under<br>Construction<br>£000 | Surplus<br>Assets<br>£000 | Total PP&E<br>£000 |
|--|------------------------------|-----------------------------------|---|------------------------------------|---------------------------|--------------------|
| Cost or Valuation  |                              |                                   |   |                                    |                           |                    |
| At 1 Apr 13  | 527,969                      | 8,142                             | 475                                       | 1                                  | 4,241                     | 540,828            |
| Additions  | 25,742                       | 798                               | 0   | 52                                 | 0                         | 26,592             |
| Accumulated Depreciation and Impairment written out to gross cost/valuation        | (31,335)                     | (678)                             | 0   | 0                                  | (56)                      | (32,069)           |
| Revaluation increases/decreases to Revaluation Reserve                             | 2,166                        | 847                               | 0   | 0                                  | (122)                     | 2,891              |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | 6,493                        | 69                                | 0   | 0                                  | 413                       | 6,975              |
| Derecognition - Disposals  | (2,605)                      | 0                                 | 0   | 0                                  | (174)                     | (2,779)            |
| Assets reclassified (to) / from Investment Property                                | 0                            | 0                                 | 0   | 0                                  | 0                         | 0                  |
| Other Movements in cost valuation  | 47                           | (46)                              | 0   | (1)                                | 0                         | 0                  |
| At 31 Mar 14   | 528,477                      | 9,132                             | 475                                       | 52                                 | 4,302                     | 542,438            |
| Depreciation and Impairment  |                              |                                   |   |                                    |                           |                    |
| At 1 Apr 13  | (30,924)                     | (676)                             | 0   | 0                                  | (56)                      | (31,656)           |
| Accumulated Depreciation written out to gross cost/valuation                       | 12,530                       | 368                               | 0   | 0                                  | 6                         | 12,904             |
| Accumulated Impairment written out to gross cost/valuation                         | 18,805                       | 310                               | 0   | 0                                  | 50                        | 19,165             |
| Depreciation Charge  | (12,919)                     | (405)                             | (68)                                      | 0                                  | (4)                       | (13,396)           |
| Impairment losses/reversals to Revaluation Reserve                                 | (577)                        | (782)                             | 0   | 0                                  | 0                         | (1,359)            |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services     | (24,474)                     | (16)                              | 0   | 0                                  | 0                         | (24,490)           |
| Derecognition - Disposals  | 70                           | 0                                 | 0   | 0                                  | 3                         | 73                 |
| Other movements in depreciation and impairment                                     | (1)                          | 1                                 | 0   | 0                                  | 0                         | 0                  |
| At 31 Mar 14   | (37,490)                     | (1,200)                           | (68)                                      | 0                                  | (1)                       | (38,759)           |
| Net Book Value   |                              |                                   |   |                                    |                           |                    |
| At 31 Mar 14   | 490,986                      | 7,932                             | 407                                       | 52                                 | 4,301                     | 503,679            |
| At 31 Mar 13   | 497,045                      | 7,466                             | 475                                       | 1                                  | 4,185                     | 509,172            |

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

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

(b) Vacant possession

|                      | £m    |
|----------------------|-------|
| Value as at 1 Apr 13 | 1,630 |

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

**Note 5 Major Repairs Reserve**

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

| 2012/13  |                                  | 2013/14  |
|----------|----------------------------------|----------|
| £000     |                                  | £000     |
| 2,656    | Balance as at 1 April            | 2,877    |
| 12,702   | Depreciation in the year         | 13,395   |
| 6,114    | Transfer to MRR                  | 5,894    |
| (18,595) | Financing of Capital Expenditure | (16,942) |
| 2,877    | Balance as at 31 March           | 5,224    |

**Note 6 Financing of Capital Expenditure**

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

|  | 2013/14 |
|--|---------|
|  | £000    |
| Borrowing Need                           | 0       |
| Capital Receipts                         | 691     |
| Revenue Contributions                    | 8,437   |
| Government Grants / Other Capital Income | 522     |
| Major Repairs Reserve                    | 16,942  |
| Total                                    | 26,592  |

During the year total capital receipts of £3.854m were received by the HRA, of which £2.056m was available to support capital expenditure within the Council.

**Note 7 Depreciation**

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2013 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2013 and has been calculated using the 'straight line' method over 15 years.

**Note 8 Impairment**

A net impairment charge of £17.516m has been included in the HRA Income and Expenditure Account (£20.355m in 2012/13). This charge is reflected in the HRA Income and Expenditure Account in arriving at the deficit on the provision of HRA Services but the Council has taken advantage of transitional protection arrangements following the introduction of self – financing which allows the impairment relating to dwellings to be reversed out in determining the movement on the HRA Balance. Under Self-Financing legislation the impairment charges on non-dwellings cannot be reversed out and are a real charge to the HRA.



**Note 9 HRA Subsidy**

| 2012/13 |   | 2013/14 |
|---------|---|---------|
| £000    | Notional HRA for Subsidy Calculation  | £000    |
| 0       | Management and Maintenance  | 0       |
| 0       | Major Repairs Allowance   | 0       |
| 0       | Charges for Capital   | 0       |
| 0       | Interest on Receipts  | 0       |
| 0       | Guideline Rent Income   | 0       |
| 0       |   | 0       |
| 157     | Prior year adjustment   | 0       |
| 157     | Notional (Surplus) / Deficit (to be paid to Government) / claimed from Government | 0       |

From April 2012 the government abolished the HRA subsidy system and no payments are due in 2013/14. The amount shown above for 2012/13 was the balance to be retained by the Council relating to the final HRA subsidy claim for 2011/12.

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

| 2012/13 |                 | 2013/14 |
|---------|-----------------|---------|
| £000    | Rent Arrears    | £000    |
| 1,698   | Current Tenants | 1,985   |
| 2,776   | Former Tenants  | 3,329   |
| 4,474   | As at 31 March  | 5,314   |

As at 31 March 2014, the level of rent arrears for current tenants as a proportion of gross rent income was 2.41% (2012/13 2.22%).

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| £000    | Bad Debt Provision in respect of rent income | £000    |
| 2,546   | As at 1 April                                | 2,864   |
| 480     | Increase in Provision                        | 595     |
| (162)   | Utilised in year                             | (88)    |
| 2,864   | As at 31 March                               | 3,371   |

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

| 2012/13 |   | 2013/14 |
|---------|---|---------|
| £000    | Bad Debt Provision in respect of the rechargeable repairs | £000    |
| 202     | As at 1 April   | 494     |
| 350     | Increase in Provision                                     | 244     |
| (58)    | Utilised in year  | (155)   |
| 494     | As at 31 March  | 583     |

**Note 11 Interest Payable and Other Charges**

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

**Note 12 Contributions to and from the Pensions Reserve**

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

**THE COLLECTION FUND**

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

**REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2014**

| 2012/13             |                                  |                |  | 2013/14             |                                  |                | Note |
|---------------------|----------------------------------|----------------|--|---------------------|----------------------------------|----------------|------|
| Council Tax<br>£000 | Non<br>Domestic<br>Rates<br>£000 | Total<br>£000  |  | Council Tax<br>£000 | Non<br>Domestic<br>Rates<br>£000 | Total<br>£000  |      |
| 114,020             |                                  | 114,020        | Council Tax Receivable                                       | 96,593              |                                  | 96,593         | 2    |
|                     | 71,672                           | 71,672         | National Non-Domestic Rates (excluding write-offs)           |                     | 73,172                           | 73,172         |      |
|                     | 0                                | 0              | NNDR Transitional Payments                                   |                     | (672)                            | (672)          |      |
| <b>114,020</b>      | <b>71,672</b>                    | <b>185,692</b> | <b>Total Income</b>  | <b>96,593</b>       | <b>72,500</b>                    | <b>169,093</b> |      |
|                     |                                  |                | <b>Precepts:</b>   |                     |                                  |                |      |
| 95,613              |                                  | 95,613         | Rotherham Metropolitan Borough Council                       | 80,408              | 35,368                           | 115,776        |      |
| 0                   | 70,449                           | 70,449         | Central Government   | 0                   | 36,089                           | 36,089         |      |
| 10,440              |                                  | 10,440         | - South Yorkshire Police and Crime Commissioner              | 9,071               |                                  | 9,071          |      |
| 4,747               |                                  | 4,747          | South Yorkshire Fire & Civil Defence                         | 4,058               | 722                              | 4,780          |      |
| 110,800             | 70,449                           | 181,249        |  | 93,537              | 72,179                           | 165,716        |      |
|                     |                                  |                | <b>Distribution of previous years surplus - Council Tax:</b> |                     |                                  |                |      |
| 2,298               | 0                                | 2,298          | Rotherham Metropolitan Borough Council                       | 1,413               | 0                                | 1,413          |      |
| 0                   | 0                                | 0              | Central Government   | 0                   | 0                                | 0              |      |
| 221                 | 0                                | 221            | - South Yorkshire Police and Crime Commissioner              | 206                 | 0                                | 206            |      |
| 100                 | 0                                | 100            | South Yorkshire Fire & Civil Defence Authority               | 94                  | 0                                | 94             |      |
| 2,619               | 0                                | 2,619          |  | 1,713               | 0                                | 1,713          |      |
|                     |                                  |                | <b>Charges to Collection Fund:</b>                           |                     |                                  |                |      |
| 154                 | 701                              | 855            | Write off of uncollectable amounts                           | 224                 | 474                              | 698            |      |
| 307                 | 213                              | 520            | Increase in bad debt provision                               | 274                 | 271                              | 545            |      |
| 0                   | 0                                | 0              | Increase in provision for appeals                            | 0                   | 6,970                            | 6,970          |      |
| 0                   | 309                              | 309            | Cost of Collection   | 0                   | 310                              | 310            |      |
| 0                   | 0                                | 0              | Disregarded amounts  | 0                   | 116                              | 116            |      |
| 461                 | 1,223                            | 1,684          |  | 498                 | 8,141                            | 8,639          |      |
| <b>113,880</b>      | <b>71,672</b>                    | <b>185,552</b> | <b>Total amounts charged to the Collection Fund</b>          | <b>95,748</b>       | <b>80,320</b>                    | <b>176,068</b> |      |
| 140                 | 0                                | 140            | Surplus / (Deficit) arising during the year                  | 845                 | (7,820)                          | (6,975)        |      |
|                     |                                  |                | <b>Collection Fund Balance</b>                               |                     |                                  |                |      |
| 140                 | 0                                | 140            | Surplus / (Deficit) arising during the year                  | 845                 | (7,820)                          | (6,975)        |      |
| 3,476               | 0                                | 3,476          | Surplus brought forward                                      | 3,616               | 0                                | 3,616          |      |
| 3,616               | 0                                | 3,616          | Surplus / (Deficit) carried forward                          | 4,461               | (7,820)                          | (3,359)        | 5    |

## Notes to the Collection Fund Statement

### Note 1 Council Tax

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2013/14 is shown below.

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

| Band | Number of Band D Equivalents properties | Ratio to Band D | Collection Rate @ 97% |
|------|---|-----------------|-----------------------|
| A    | 24,110                                  | 6/9             | 23,387                |
| B    | 13,406                                  | 7/9             | 13,004                |
| C    | 10,878                                  | 8/9             | 10,552                |
| D    | 7,363                                   | 9/9             | 7,142                 |
| E    | 4,739                                   | 11/09           | 4,597                 |
| F    | 2,122                                   | 13/09           | 2,058                 |
| G    | 947                                     | 15/09           | 918                   |
| H    | 66                                      | 18/09           | 64                    |
|      | 63,631                                  |                 | 61,722                |

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

Business Rates are levied on non-domestic premises at a rate in the pound determined by Central Government which is applied nationally (the national multiplier). The national multiplier in 2013/14 was 47.1 pence in the pound and a small business rating multiplier of 46.2 pence in the pound (45.8 pence and 45 pence respectively in 2012/13).

The NNDR income in 2013/14 after allowing for mandatory and discretionary reliefs of £73.172m (2012/13 £71.672m) was based on a total rateable value of £185.6m as at 31 March 2014 (£186.1m as at 31 March 2013).

### Note 3 Community Charge

Although the Community Charge system was replaced by the Council Tax on 1 April 1993, the Council continues to account for cash collected in relation to the Community Charges raised in previous years in the Collection Fund.

### Note 4 Discounts

The Council does not operate a discount scheme for the early payment of Council Tax.

### Note 5 Collection Fund Balance

The balance on the Collection Fund at 31 March 2014 is a deficit of £3.359m and consists of a £7.820m deficit relating to business rates to be recovered from the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a (£4.461m) surplus in relation to Council Tax to be distributed to the billing Authority (Rotherham MBC), South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Civil Defence Authority as follows:

| 2012/13<br>Council Tax<br>£000 | 2012/13<br>NNDR<br>£000 | 2012/13<br>Total<br>£000 |  | 2013/14<br>Council Tax | 2013/14<br>NNDR | 2013/14<br>Total<br>£000 |
|--------------------------------|-------------------------|--------------------------|--|------------------------|-----------------|--------------------------|
| 3,300                          | 0                       | 3,300                    | Billing Authority – Rotherham MBC                  | 4,086                  | (3,832)         | 254                      |
| 0                              | 0                       | 0                        | Central Government                                 | 0                      | (3,910)         | (3,910)                  |
|                                |                         |                          | Major Precepting Authorities:                      |                        |                 |                          |
| 217                            | 0                       | 217                      | - South Yorkshire Police and Crime Commissioner    | 259                    | 0               | 259                      |
| 99                             | 0                       | 99                       | - South Yorkshire Fire and Civil Defence Authority | 116                    | (78)            | 38                       |
| 3,616                          | 0                       | 3,616                    | Total  | 4,461                  | (7,820)         | (3,359)                  |

### Note 6    Parish Precepts

Precept demands are issued by the parishes on the Council as Billing Authority. In turn the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable. The payment of the parish precepts appears as a charge in the Income and Expenditure Account (see Note 4).

**METROPOLITAN DEBT ADMINISTRATION**

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

| 2012/13<br>£000 | Capital Account   | 2013/14<br>£000 |
|-----------------|---|-----------------|
| (17,041)        | Cash at bank 1 April                                      | (23,069)        |
| (109)           | Transfer (from) Financial Instruments Adjustments Account | (58)            |
| 18              | Adjustment to loans outstanding for interest accruals     | 0               |
| 291             | Add: Expenditure in the year – Loans repaid               | 0               |
| (16,841)        |   | (23,127)        |
|                 | Less Income:  |                 |
| 0               | Loans raised  | 0               |
| 6,228           | Repayments by Relevant Authorities                        | 6,531           |
| (23,069)        | Cash at bank 31 March                                     | (29,658)        |

| 2012/13<br>£000 | Revenue Account                    | 2013/14<br>£000 |
|-----------------|------------------------------------|-----------------|
| 5,689           | Interest Paid on Outstanding Loans | 5,692           |
| 123             | Management and other expenses      | 73              |
| 5,812           |                                    | 5,765           |
|                 | Less Income:                       |                 |
| 98              | Notional Interest                  | 121             |
| 5,714           |                                    | 5,644           |
| 5,714           | Recharge to Relevant Authorities   | 5,644           |
| 0               |                                    | 0               |

| 2012/13<br>£000 | Balance Sheet as at 31 March                     | 2013/14<br>£000 |
|-----------------|--|-----------------|
|                 | Capital Liabilities                              |                 |
| 97,956          | Loans Outstanding                                | 97,956          |
| (23,069)        | Cash at bank                                     | (29,658)        |
| 74,887          |  | 68,298          |
|                 | Capital Assets                                   |                 |
| 74,688          | Advances Outstanding                             | 68,157          |
|                 | Reserves   |                 |
| 199             | Financial Instruments Adjustments Account (FIAA) | 141             |
| 74,887          |  | 68,298          |

**Note 1 Financial Instruments – Balances**

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

|   | Long Term |           | Short Term |           |
|---|-----------|-----------|------------|-----------|
|   | 31 Mar 13 | 31 Mar 14 | 31 Mar 13  | 31 Mar 14 |
|   | £000      | £000      | £000       | £000      |
| Financial liabilities (principal amount) - PWLB | 96,121    | 96,121    | 0          | 0         |
| Financial liabilities at amortised cost - PWLB  | 96,121    | 96,121    | 1,835      | 1,835     |
| Loans and receivables (principal amount)        | 0         | 0         | 0          | 0         |
| Loans and receivables at amortised cost         | 0         | 0         | 0          | 0         |

**Note 2 Financial Instruments – Maturity Analysis**

The maturity analysis of financial liabilities is as follows:

| 31 Mar 13 |                              | 31 Mar 14 |
|-----------|------------------------------|-----------|
| £000      |                              | £000      |
| 1,835     | Less than one year           | 1,835     |
| 0         | Between one and two years    | 9,412     |
| 76,432    | Between two and seven years  | 86,709    |
| 19,689    | Between seven and nine years | 0         |
| 97,956    |                              | 97,956    |

**Note 3 Financial Instruments – Fair Values**

The fair values of the financial instruments are as follows:

| 31 Mar 13       |            |                              | 31 Mar 14       |            |
|-----------------|------------|------------------------------|-----------------|------------|
| Carrying amount | Fair Value |                              | Carrying amount | Fair Value |
| £000            | £000       |                              | £000            | £000       |
| 97,956          | 121,312    | Financial Liabilities – Debt | 97,956          | 113,043    |
| 0               | 0          | Loans and Receivables        | 0               | 0          |

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

**Note 4 Financial Instruments Adjustment Account**

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

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

| 2012/13<br>£000 |   | 2013/14<br>£000 |
|-----------------|---|-----------------|
| 308             | Balance at 1 April                        | 199             |
| (109)           | Movement in year<br>Premium and discounts | (58)            |
| 199             | Balance carried forward at 31 March       | 141             |

**Note 5    Authorised Limit and Operational Boundary**

The Council's operational boundary for external debt for the year was £96.121m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £96.121m.



**Accounting Policies**

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

## **A Statement of Accounting Concepts and Policies**

### **1 General**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2013/14 ("the Code") and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

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

The objective of financial statements which is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources

The underlying assumptions that financial performance is reported on an accruals basis and the financial statements are prepared on a going concern basis

The qualitative characteristics of useful information are observed by ensuring that it is relevant, material, and faithfully represented (ie is complete, unbiased and properly determined in accordance with the Code, SeRCOP, the Council's accounting policies and by using appropriate estimation techniques)

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

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

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

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

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

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

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

The Code has adopted the following accounting standards in 2013/14:

- Amendments to IAS 19 Employee benefits
- Amendments to IAS 1 Presentation of Financial Statements
- Offsetting financial assets and liabilities under IFRS 7
- Deferred taxation on an entities income under IAS 12 (only applicable where Group Accounts are prepared)

In addition, the Code has provided clarification on a number of existing accounting standards, including: the recognition and valuation of property, plant and equipment; recognition of PFI assets under construction; the classification of leases provided for a nominal or peppercorn rent, and: recognition of Assets Held for Sale.

None of the changes or clarifications has had a material impact on 2013/14 and there has been no need to adjust the comparatives reported in the previous period.

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

### **3 Accruals of Income and Expenditure**

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

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

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

### **4 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of

overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **5 Debtors**

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

## **6 Creditors**

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

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

### Council Tax

Council tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council’s share of the year’s accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council’s share of the previous year’s surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

### National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council’s share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council’s share of the estimated business rate income for the year together with the Council’s share of the previous year’s surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors.

### Residual Community Charge

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

## **8 Inventories**

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

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

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

## **9 Work in Progress (Construction Contracts)**

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

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

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

## **10 Cash and Cash Equivalents**

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

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

## **11 Provisions, Contingent Liabilities and Contingent Assets**

Provisions

A provision is recognised when:

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

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

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

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

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

(a) Equal Pay

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

Contingent Liability

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

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

Contingent Asset

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

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

## 12 Reserves

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

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

## 13 Government and Non-Government Grants

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

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

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

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

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

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

## **14 Non-current Assets – Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the

Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

#### Impairment of Assets

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of



the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Disposals

The carrying amount of an item is derecognised:

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

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

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

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

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings 30 Years or now notional Major

Repairs Allowance (MRA) if notional MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non operational properties up to 100 years)

- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

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

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

## **15 Charges to Revenue for Non-Current Assets**

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

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

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

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

### Minimum Revenue Provision (MRP)

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

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

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

- (a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the regulations;

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

## **16 Leases and Lease-Type Arrangements**

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

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

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

### **(a) Finance Leases – Council as Lessee**

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

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

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

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

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

### **(b) Operating Leases – Council as Lessee**

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

## (a) Finance Leases – Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

## (b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**17 PFI and PPP Arrangements**

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

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

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to

the Council at that time, similar to an asset that an authority constructs or develops for its own use.

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

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

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

## **18 Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

## **19 Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by

being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

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

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

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

## **20 Revenue Expenditure Funded from Capital under Statute**

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

## **21 Heritage Assets**

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

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

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

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

## **22 Financial Instruments**

Financial Assets

Financial assets are classified into two types:

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

## (a) Loans and Receivables

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

## (b) Available-for-Sale Assets

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

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

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

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

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

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

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

#### Financial Liabilities

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

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

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

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

#### Instruments Entered Into Before 1 April 2006

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

## **23 Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary



benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring.

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

Pension strain costs are charged to Non Distributed Costs in accordance with statutory provisions which require that the General Fund be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

#### Post Employment Benefits

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

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

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

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

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

- The liabilities of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension
- The assets of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate

- unitised securities – current bid price
- property – market value.
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - remeasurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
  - In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

## **24 Repayment of Debt – Metropolitan Debt**

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

## **25 Value Added Tax (VAT)**

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

## **26 Events after the Reporting Period**

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

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

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

## **27 Exceptional Items**

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

## **28 Interests in Companies and Other Entities**

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

## **29 Acquisitions and discontinued operations**

Transfers of operations to or from other public sector bodies are accounted for in accordance with the Code's requirements relating to public sector combinations by transferring assets and liabilities to / from the Council at their carrying value and by disclosing the effect in the Comprehensive Income and Expenditure Statement of services transferred to/from the Council from/to another public sector body.

In 2013/14, responsibility for public health functions was transferred from the NHS to the Council with effect from 1 April 2013. Accordingly, the income and expenditure relating to this function is separately disclosed in the Comprehensive Income and Expenditure statement. No assets or liabilities of significance were transferred.

During 2013/14, a number of local authority maintained schools converted to academies. School balances have been transferred from the Council at their carrying amount at the date of conversion, the aggregate effect being disclosed in the Movement in Reserves Statement.

## **B) Accounting Standards issued but not yet adopted**

Amendments have been made to a number of accounting standards which have not been adopted by the Code until 2014/15. A brief description of the accounting changes and their estimated financial effect is provided below.

Group accounts

A number of accounting standards have been amended which relate to group accounts:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

The changes set out new criteria for assessing whether an entity is controlled by another and how the transfer of operations to / from other public sector bodies should be accounted for. They also require additional disclosure, where necessary, to enable users to better understand the risks of any interest the Council might have in another entity and their financial effect. It is not possible to say at this stage whether the changes will lead to the Council having to prepare group accounts or the extent of additional disclosure which will be required. An early evaluation of the implications for the 2014/15 accounts will be carried out once detailed guidance has been issued by CIPFA

#### Accounting for local authority schools

Following further consultation, CIPFA / LASAAC have reached a conclusion on the principles to be applied in accounting for local authority maintained schools having regard to the changes to accounting standards relating to group accounts described above. The conclusion reached is that, whilst local authority maintained schools are capable of being treated as separate entities, as the balance of control rests with local authorities, the Council's accounts should continue to include the income, expenditure, assets, liabilities, reserves and cash flows of local authority maintained schools.

Further consideration will be needed of the treatment of land and buildings of certain types of local authority maintained schools, in particular, voluntary aided and voluntary controlled schools, to determine whether these should be included in the Council's balance sheet. Up to and including 2013/14, the Council has followed existing guidance and only recognised on the Council's balance sheet the playing fields and caretakers residence of voluntary aided or voluntary controlled schools where owned by the Council. Should there be clarification that the school buildings of these types of school should also be included in the Council's balance sheet, it is estimated that the aggregate value of the assets to be brought on balance sheet may be in the region of £30m.

#### IAS 32 Financial Instruments – Offsetting Financial assets and Financial Liabilities

Further clarification has been made on the principles to be applied to the new disclosure requirements included in the 2013/14 Code for offsetting financial assets and financial liabilities. This is not expected to have any impact on presentation in the 2014/15 accounts.

#### Changes to accounting policies in subsequent years

The adoption of IFRS 13 Fair Value Measurement has been deferred to the 2015/16 Code. The 2013/14 financial statements do not therefore include the measurement and disclosure requirements of this standard.

Adoption on the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended 2013, has been deferred to the 2016/17 Code. This will require highways assets to be restated from an historic cost basis to current cost using depreciated replacement cost. This is likely to have a material effect on the carrying value of highways assets and involve restatement of figures reported on an historic cost basis in 2015/16.

### **C) Critical Judgements in applying Accounting Policies**

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

- MMI - The finding of the Supreme Court judgement on 28 March 2012 in favour of the appellants against MMI has led to the appointment of an Administrator and the Scheme of Arrangement being invoked. The Council and other participating local authorities are therefore being required to make levy payments to MMI in order that the company can settle its liabilities. The Council made an initial levy payment in January 2014. A provision has

been retained in 2013/14 to cover further levy payments representing the best estimate of what the likely liability might be.

- Business rates appeals – The introduction of the business rates retention scheme with effect from 1 April 2013, means that the Council shares in the risks and rewards of growth or decline in business rates income with central government and the fire authority. As a consequence the Council recognises on its balance sheet its proportion of business rates assets and liabilities including its share of refunds to business ratepayers as a result of appeal. There was insufficient information available to recognise the Council's share of the provision for refunds as at 1 April 2013. The Valuation Office has since provided statistics on appeals lodged and settled since the April 2010 rating valuation. This has been used to arrive at the best estimate of the likely level of business rate income collectable up to and including 2013/14 which may have to be refunded as a result of appeal. The Council's share of £3.4m is shown as a provision in Note 36.

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

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

Included in the Council's Balance Sheet at 31 March 2014 is an estimated pensions liability of £264m. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used to determine pension fund liabilities, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and the rate of inflation. . Changes to these assumptions can have a material effect as illustrated by the fact the Council's estimated liability decreased by £108m in 2013/14 as a result of changes to assumptions used to discount pension liabilities into present value terms and other key assumptions (see note 18). A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

**Additional Information**

Audit Certificate

Glossary









## **GLOSSARY**

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

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **ADDED YEARS**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

### **BALANCE SHEET**

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

### **BORROWING**

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

### **BUDGET**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL CHARGE**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

**CAPITAL RECEIPT**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

these costs to services.

### **COUNCIL TAX**

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

### **CREDITOR**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

### **DEBTOR**

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

### **DEFINED BENEFIT PENSION SCHEME**

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

### **DEPRECIATION**

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

### **DISCRETIONARY BENEFITS (PENSIONS)**

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

### **DEDICATED SCHOOLS GRANT (DSG)**

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

### **EARMARKED RESERVE**

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

### **EQUITY**

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

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

### **EXCEPTIONAL ITEMS**

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

**FAIR VALUE**

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

**FEES AND CHARGES**

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

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

**FINANCE LEASE**

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

**GENERAL FUND SERVICES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HERITAGE ASSETS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

**INCOME AND EXPENDITURE ACCOUNT**

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

other income.

## **INFRASTRUCTURE ASSETS**

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

## **INVENTORIES**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

## **NET INTEREST EXPENSE (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement less interest income earned on plan assets.

## **INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Authority owes payment to an individual or another organisation.

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

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

**MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MAJOR REPAIRS RESERVE**

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

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

**NET BOOK VALUE**

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NET EXPENDITURE**

Gross expenditure less specific grants and income for charging for services.

**NET REALISABLE VALUE**

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services

**NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the authority on behalf of the Council, Central Government, and South Yorkshire Fire and Civil Defence Authority with surplus and deficits being shared in the ratio specified by Business Rates Retention Regulations.

**OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

**PRECEPT**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting 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.

**RE-MEASUREMENTS**

For a defined benefit pension scheme, the re-measurements comprise:

- (a) Changes in actuarial surpluses or deficits that arise because:

Events have not coincided with the actuarial assumptions made for the last valuation



(experience gains and losses); or

The actuarial assumptions have changed

- (b) Return on plan assets excluding interest income which forms part of the pensions net interest expense

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## **RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## **RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment

## **REVALUATION RESERVE**

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non Current Assets.

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

## **REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

## **USEFUL ECONOMIC LIFE (UEL)**

The period over which the Authority will derive benefits 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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Email: [central.finance@rotherham.gov.uk](mailto:central.finance@rotherham.gov.uk)

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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

### کوردی سۆرانی

نهگهر تو یان که سیک که تو دهیناسی پیویستی به یارمتهی هه بییت بو نهوهی لهم به لگه نامه یه تیگات یان بیخوینتهوه، تکایه په یوه ندیمان پیوه بکه له سهه نهو ژماره یه ی سهه وه دا یان بهو نیمه یه.

### 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.