

Statement of Accounts 2004/2005

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METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2004/2005

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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 Head of Corporate Finance;
- 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 this Statement of Accounts was approved at the meeting of the Audit Committee held on 27 October 2005.

Signed on behalf of Rotherham MBC:


.....
Chair of the Meeting

Date: 27¹⁰ 05
.....

The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance is responsible for the preparation of the Council's Statement of Accounts, consistent with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (ACOP).

In preparing this Statement of Accounts, the Head of Corporate Finance 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 Head of Corporate Finance has also:

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

Head of Corporate Finance's Certificate

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents fairly the financial position of the Authority at 31 March 2005 and its income and expenditure for the year then ended.

Signed: 
.....
R. Sykes, BA, CPFA - Head of Corporate Finance.

Date: 27th October 2005

FOREWORD BY THE HEAD OF CORPORATE FINANCE

1. INTRODUCTION

This Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2005 and shows its overall financial position at the end of that period.

The Statement is (except if otherwise stated) prepared in accordance with the Accounting Codes of Practice, and the principal features are set out in the section of this report headed "Statement of Accounting Policies" (Page 14). Specifically, the Council's accounts have been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts includes a number of key financial statements and provided below is a brief explanation of each, their purpose and the relationship between them.

Consolidated Revenue Account (Page 22)

This statement highlights the Council's expenditure and income for the year in respect of each of its main service areas. In addition those items of expenditure and income which are of a corporate nature covering the activities of the whole Council are also shown.

The account details the financing of the Council's overall net expenditure for the year through local Council Taxpayers or Central Government in the form of Revenue Support Grant (RSG) and redistributed National Non-Domestic Rates (NNDR).

Any surplus or deficit on this account is transferred to the Council's General Fund reserves that in turn form part of the Council's overall financial position as shown in the Consolidated Balance Sheet.

Housing Revenue Account (Page 35)

Local authorities are required by law to account separately for all transactions relating to the cost of local authority housing by way of the Housing Revenue Account (HRA).

This account shows where resources are spent in maintaining and managing the stock of Council housing and the sources of income to meet this expenditure.

The accounting requirements in relation to the HRA continue to reflect the requirements of Resource Accounting introduced in April 2001. The objectives of Resource Accounting in the HRA are to encourage more efficient use of housing assets and increase transparency for the HRA.

Transactions relating to the Housing Revenue Account are included within the Consolidated Revenue Account and the position on the HRA thereby forms an integral part of the Council's overall financial position reflected in the Consolidated Balance Sheet.

Collection Fund Account (Page 42)

By statute, billing authorities are required to maintain a separate Collection Fund which brings together all the transactions relating to National Non Domestic Rates, the Council Tax and the residual effect of the Community Charge system.

The account illustrates how these resources have been distributed to precepting authorities and to the Council's General Fund.

Consolidated Balance Sheet (Page 45)

The Consolidated Balance Sheet shows the Council's overall financial position as at the end of the financial year (31 March 2005) in terms of its assets and liabilities.

Highlighted are the reserves and balances at the Council's disposal, details of the fixed and net current assets employed by the Council to carry out its activities and the position with regard to its long-term liabilities.

Statement of Total Movement in Reserves (Page 66)

(Note 18 to the Consolidated Balance Sheet)

This Statement shows the movements on the Council's reserves in the year highlighting where these are revenue or capital in nature.

It summarises the Council's recognised gains and losses during the period as reflected in the change in Net Equity shown in the Consolidated Balance Sheet.

Metropolitan Debt Administration (Page 82)

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 1st April 1986.

A separate account has been established to record the transactions, in order to arrive at a pool rate with which to recharge the four district councils and joint boards within the South Yorkshire area.

Cash Flow Statement (Page 83)

The Cash Flow Statement summarises the flows of cash in or out of the Council arising from its activities during the year. These transactions with third parties are detailed as to whether they relate to revenue or capital transactions.

The cash movement for the year reconciles to the change between the opening and closing cash amount shown in the Consolidated Balance Sheet.

2. REVENUE SPENDING IN 2004/2005

Revenue spending (as distinct from capital spending) comprises the annual running costs of the Council's services. It is financed from Council Tax receipts, Central Government grants, National Non-Domestic Rates and other sources of income.

General Fund Services

For 2004/2005 Rotherham Metropolitan Borough Council set a revenue budget of £296.936m (£305.149m before the budgeted Private Finance Initiative grant of £8.213m.)

The actual outturn of £298.983m (£307.196m before PFI grant of £8.213m) meant £2.047m (net) of general balances was used to support revenue expenditure and the overall position is summarised below:-

2003/2004 Original Estimate £m	Actual £m	Variance £m		2004/2005 Original Estimate £m	Actual £m	Variance £m
280.799	281.591	0.792	Total Net Expenditure	305.149	307.196	2.047
-0.100	-0.892	-0.792	Contributions to (+)/from (-) Balances	0.000	-2.047	-2.047
280.699	280.699	0.000	Spending	305.149	305.149	0.000
1.481	1.481	0.000	Add Parish Council Precepts	1.581	1.581	0.000
282.180	282.180	0.000	Total	306.730	306.730	0.000
			Funded by:			
139.176	139.176	0.000	Revenue Support Grant	153.594	153.594	0.000
72.710	72.710	0.000	Share of NNDR Pool	69.688	69.688	0.000
0.000	0.000	0.000	PFI Grant	8.213	8.213	0.000
70.294	70.294	0.000	Receipts from Collection Fund	75.235	75.235	0.000
282.180	282.180	0.000	Total	306.730	306.730	0.000

The principal reasons for the overspend against budget for the year were additional expenditure incurred on outdated leisure facilities (£0.548m), early commitment of expenditure on the introduction of broadband to schools (0.606m), residual expenditure incurred following the transfer of the Council's training agency to a local college (£0.149m), the budgeted surplus on the Building Works trading account was not achieved (£0.270m) and various issues, principally out of authority placements, led to an overspend on Social Services (£0.298m).

The Council adopts a system of cash-limited budgeting for each Service. Subject to consideration by the Cabinet as to the reasons for variances between budgets and actual, certain under or over-spent balances may be carried forward into the following financial year as a supplement to, or reduction of, that year's budget.

Within Council balances at 31 March 2005, there is a sum of £4.677m relating to School Delegated Budget arrangements as follows:-

2003/2004 £m		2004/2005 £m
1.606	Schools' Declared Savings	1.566
3.102	Unspent Schools' Budgets	3.111
4.708	Total	4.677

Housing Revenue Account (HRA)

The Housing Revenue Account showed a surplus of £2.531m during 2004/2005 (£2.526m in 2003/2004) after crediting back a proportion (£0.138m) of the previous year's Building Works surplus (£0.265m in 2003/2004).

During the financial year sales of Council dwellings were less than had been expected. In addition, further savings on the expected losses on voids losses on collection resulted in rent income being overall £2.424m above budget.

However the reduced sales of dwellings also led to increased housing repairs expenditure in the year (£1.587m) but further savings on a variety of budget heads more than offset this extra cost and gave rise to the overall surplus on the Housing Revenue Account (£2.531m), some £2.381m more than had been budgeted for.

A separate section on the Housing Revenue Account (Page 35) is included later within this Statement of Accounts.

Trading Services

The Authority's Trading Services generated a net deficit of £0.050m in 2004/2005 having adjusted for the adoption of FRS 17 into the 2003/2004 accounts. As outlined in the Best Value Accounting Code of Practice (BVACOP), trading accounts now fall into two categories:-

- (i) those which trade substantially with the public and whose activities are reflected in the revenue budget/outturn of the relevant service;
- (ii) those which operate, in financial terms, outside service budgets.

Any net surplus or deficit on category (ii) trading accounts (above) is accounted for as part of the General Fund and is shown separately in the Consolidated Revenue Account. A section on Trading Services (Page 41) is included later within this Statement of Accounts.

3. CAPITAL SPENDING AND BORROWING IN 2004/2005

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.

- (a) Total capital expenditure in 2004/2005 amounted to £70.796m (compared to a programmed spend of £78.376m) and comprised the following:-

	2004/2005 Programme £m	2004/2005 Actual £m
Education	19.359	17.583
Culture and Leisure	3.813	2.937
Planning and Development	16.725	12.427
Engineering/Highways	8.013	7.821
Housing	25.539	25.539
Environmental Services - Housing Investment Programme Element	2.679	2.679
- General Fund Element	0.720	0.720
Building Works	0.024	0.024
Social Services	1.105	0.826
Resources	0.399	0.240
Total	78.376	70.796

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

	2004/2005 £m
Loans	20.357
Major Repairs Allowance (MRA)	11.140
Grants	17.212
Capital Receipts	12.302
Other External Sources	8.571
Internal Funds (e.g. Reserves, Capital Fund, etc)	1.214
Accruals Basis	70.796
Change in Capital Creditors	0.000
Cash Basis	70.796

- (c) Major items of capital expenditure incurred during 2004/2005 are shown below:-

	2004/2005 £m
<u>Non Housing</u>	
Environmental Services - Recycling Initiatives	0.657
Culture & Leisure - Clifton Park Museum	1.771
Education - Dinnington J&I School Major Repairs	1.569
Education - Space for Sports and Arts	0.743
RMBC Expenditure on PFI Schools	1.309
Moorgate Crofts - Small Business Units	2.911
Derelict Land Reclamation - Plant Site Contract	4.668
Highways - Highfield Lane, Orgreave	0.792
<u>Housing</u>	
Disabled Facilities Grants	0.824
Private Sector Renewal - Eastwood	1.229
Decent Homes Standard	8.785
District Heating Conversions	1.740
Public Sector Adaptations	1.264
Replace Boilers containing Asbestos	2.000
Wath White Bear Regeneration	4.464
Wharnccliffe Regeneration	1.450
Birks Holt Regeneration	1.511
Improvements to Vacant Properties	1.527

- (d) The Council's borrowing activities during 2004/2005 are summarised below:-

Long-term Borrowing

2003/2004 £m		2004/2005 £m
164.877	Balance as at 1 April	164.528
	Plus:	
0.000	New long-term borrowing	0.000
-0.349	Re-classified as temporary borrowing (repayable in following financial year)	-0.360
164.528	Balance as at 31 March	164.168

The Council's operational boundary for external debt for the year was £194.784m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £214.262m.

Temporary Borrowing

2003/2004 £m		2004/2005 £m
0.352	Balance as at 1 April	0.355
	Plus:	
86.128	New temporary borrowing	132.280
0.349	Re-classified from long-term borrowing	0.360
86.829		132.995
	Less:	
-86.137	Repayments in the year	-132.280
-0.337	Repayment of prior year's reclassified long-term borrowing	-0.349
-86.474		-132.629
0.355	Balance as at 31 March 2005	0.366

4. **SINGLE REGENERATION BUDGET (SRB)**

The SRB Challenge Fund plays a major role in the regeneration of the Borough through a series of challenge schemes, each involving the public and private sector, with the specific objective of contributing towards the regeneration agenda on a service/sectoral/geographical basis.

A summary of the funding involved for 2004/2005, that comprises both capital and revenue monies, is as follows:-

Programme	Year	Spend 2004/05 (i)		Leverage 2004/05 (ii)	
		RMBC £m	Total £m	Public £m	Private £m
SRB3	8	0.024	0.024	0.013	0
SRB4	7	0.729	0.782	1.227	0.137
SRB5/6	6	1.957	4.747	5.786	3.102

- (i) SRB total spend includes expenditure incurred not only by the Council but also by its partners.
- (ii) Leverage relates to the amount of funding from both the private sector and other public sector bodies, which is attracted by SRB grant funding towards the delivery of projects. Further information regarding the SRB Programme is available from the Executive Director of Economic and Development Services, Bailey House, Rawmarsh Road, Rotherham.

5. **STANDARDS FUND**

In 2004/2005 the Standards Fund grant regime provided total funding of £29.8m. The Fund can be broadly divided into two grant categories:-

- Curriculum and Training based grants (20.1m) and;
- Capital and Infrastructure funding (£9.7m)

Key initiatives in the former category were:-

- Excellence in Cities (EiCs) (£6.1m)
- Specialist Schools (£1.5m)
- Behaviour Improvement Programme (£1.3m)
- Teachers/Teacher Support (£1.2m)
- School Development Grant (£4.0m)
- Standards/Curriculum (£4.5m)
- Pupil Support (£1.5m)

The major areas of capital expenditure were:-

- Schools Devolved Capital and Seed Challenge (£3.5m)
- New Deal – Modernisation Funding (£2.7m)
- ICT in Schools (including Broadband) (£3.5m)

6. HOUSING MARKET RENEWAL PATHFINDER

The Council is a participating authority within the South Yorkshire Housing Market Renewal Pathfinder, a Government initiative to address the issue of housing market weakness in a number of areas across the country.

During 2004/2005 the Council incurred capital expenditure of £1.733m and revenue expenditure of £0.804m on various schemes in the following areas within the Borough.

- Wath Swinton (includes Kilnhurst, Piccadilly, Swinton, Wath West, Wath East, West Melton and Brampton)
- Rawmarsh Parkgate (includes Parkgate, Central Rawmarsh, Ryecroft, Sandhill, Monkwood, Manor Farm and New Meadows)
- Rotherham East (includes Eastwood, Springwell Gardens, Clifton, Herringthorpe, East Herringthorpe, Dalton and East Dene)
- Rotherham West (includes the Hollywood estate at Thorpe Hesley, Kimberworth, Kimberworth Park, Greasbrough, Blackburn, Richmond Park, Meadows, Ferham, Masbrough, Thornhill, Bradgate and Canklow).

The major areas of capital expenditure were:-

- Accelerated Demolitions (£0.166m)
- Eastwood Village (£0.405m)
- Westgate Demonstrator (£0.379m)

7. HOUSING MAJOR REPAIRS ALLOWANCE (MRA)

The Major Repairs Allowance (MRA) is an element of subsidy that represents the estimated capital cost of keeping the Council's housing stock in its current condition.

MRA resources can be used by councils for any capital expenditure on HRA assets but there is an expectation that they will be used in accordance with the council's business plan. Accordingly, in Rotherham, MRA will be used to help deal with the backlog of major repairs, to support the "Decent Homes" policy and on estate-based regeneration. Flexibility exists to spend MRA resources outside the financial year in which they are allocated, thereby enabling more efficient planning of works.

In 2004/2005 Rotherham MBC received £11.086m in MRA which was added to the balance of £0.812m brought forward from 2003/2004. During the year £11.140m was used to fund capital expenditure with the balance of £0.758m carried forward into 2005/2006 within the Major Repairs Reserve (MRR).

8. RBT (CONNECT) LTD

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a joint venture company RBT (Connect) Limited. The aim of this 12-year partnership is central to the Authority's efforts to improve the quality of service delivery to the public.

Over the life of the 12-year contract period the Council is contracted to spending £216m, of which £19m is expected to be incurred in 2005/06.

9. PUBLIC FINANCE INITIATIVES

The first 2 of the schools which are part of the PFI scheme, were handed back, on time, to the Authority in 2004/2005 and a further 5 schools have been or will be delivered in 2005/2006. In addition, Transform Schools (Rotherham) Limited is delivering interim services at the other schools included in this scheme. 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. Although limited development expenditure was incurred and written off to revenue in prior years, the 2004/2005 Statement of Accounts reflects the first year's costs of the operational PFI project.

On 11 May 2004 the Authority received formal approval from the Treasury to proceed with the Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI. This scheme involves the construction of 4 new swimming pools, a dry leisure centre and a joint service centre. The Authority has been awarded £20.83m of PFI Credits to support the scheme. The contract is due to be signed in the autumn of 2005.

10. ARMS LENGTH MANAGEMENT ORGANISATION

During 2003/2004 the Council approved the creation of an Arms Length Management Organisation (ALMO). This was given the backing of Council Tenants when a vote was held on the proposals in February 2005.

By 19 May 2005 the ALMO will become responsible for the management, repair and improvement of the Council's houses, although the Council will still own them.

The creation of the ALMO means that an additional £215.5m could be available in Rotherham in the period up to 2010 for the repair and improvement of homes, the environment and housing services. However, the ALMO will be inspected by the Government's Housing Inspectorate in November 2005 and it will not receive any extra money until it has received a two star rating from the Inspectorate. If the ALMO achieves a two star rating, an additional £52.5m will be available between 2005 and 2007 with a further £163m being spent by 2010.

11. PENSIONS

This Statement incorporates the full effect of FRS17 – Retirement Benefits, the purpose of which is to ensure that this Statement reflects at fair value the assets and liabilities underlying the Council's obligation relating to retirement benefits, and that the true cost of these obligations is recognised.

Eligible members of the Local Government superannuation scheme in Rotherham are covered by the South Yorkshire Pension Fund and the Superannuation Fund Regulations require contributions to be sufficient to maintain fully the solvency of the Fund.

Currently the South Yorkshire Pension Fund is in a deficit position and the impact of incorporating the FRS 17 requirements has been to show a Pensions liability in the Consolidated Balance Sheet of £210.512m, which is a worsening by £105.003m on the position as at 31 March 2004. This liability represents the Council's share of the overall deficit on the Fund.

Employer's contributions are determined by an independent actuary, based on triennial actuarial valuations, and the review relevant to the rate as reported in these accounts was carried out on 31 March 2004. To achieve solvency on the Fund the actuary has agreed that employer's contributions could be increased in phases. The rate for 2005/2006 is 15.1%, rising to an estimated 16.1% in 2006/2007 and an estimated 17.1% in 2007/2008.

12. OUTLOOK

The Council has been able to set a revenue budget of £317.6m for 2005/2006 and continues to benefit from a share of external funding streams such as the Objective 1 programme and Neighbourhood Renewal Fund.

In the short to medium term the Council will continue to manage the potentially significant cost pressures arising from the associated cost of implementing the single-status agreement and the internal re-engineering of services and new customer service arrangements.

This will be carried out through the Council's Medium Term Strategy to ensure key priorities as set down in the Community Strategy and Corporate Plan can be achieved. To reduce the risk the Council is carrying out a comprehensive base budget and value for money review.

The Council is to deliver efficiencies by raising productivity and enhancing value for money by reducing inputs, reducing prices, achieving greater output or improved quality for the same inputs and ensuring that any increase in resources achieves a proportionally greater outcome in quality. The Council is considering its plans for using the efficiency savings gained to manage future increases in Council Tax with the need to make best use of the resources in delivering Council priorities.

The Council has a major Capital Programme in the region of £80m for 2005/2006, approximately one-third of which relates to Housing Services.

The introduction of the Prudential Framework for capital investment with effect from April 2004 has presented the Council with major challenges but also opportunities, not least the facility to enter into unsupported borrowing arrangements.

The Capital Programme will continue to be funded in a variety of ways, principally borrowing and external grant funding. However the Council will continue to seek out additional partners in order to assist with capital investment.

R. Sykes BA, CPFA
Head of Corporate Finance

STATEMENT OF ACCOUNTING POLICIES

1. General

The Authority's accounts are prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2004 - A Statement of Recommended Practice", as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code incorporates the appropriate requirements of the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and the Best Value Accounting Code of Practice (BVACOP).

The major elements of the Code in relation to this Authority's accounts for 2004/2005 are referred to in the subsequent paragraphs of this Statement.

2. Revenue Income and Expenditure

2.1 Accruals

The Council's revenue accounts are prepared on an accruals basis, in accordance with the Code of Accounting Practice and FRS 18.

Included in the accounts are those amounts that relate to the provision of services during the year but which had not been received or paid out at the financial year-end.

One exception to this policy is the treatment of expenditure on utilities whereby only actual payments made in the year are included but nevertheless generally represents a full year's expenditure.

2.2 Internal Interest

The Housing Revenue Account is credited with interest based on the notional monthly level of cash balances. The sums are calculated using seven day money market rates.

2.3 Pension Costs

The Authority participates in two pension schemes:-

- (i) Teachers
- (ii) Local Government Employees

These pension schemes are governed by statutory regulation and made available by the Authority to both full and part-time staff.

Contributions to each of these schemes in respect of the employer's responsibilities are included within the notes to the Consolidated Revenue Account (Note 5).

The Pensions costs included in this Statement have been determined and accounted for in accordance with FRS 17 Retirement Benefits. These issues are addressed later in this Statement as notes to the Consolidated Revenue Account (note 5) and Consolidated Balance Sheet (note 19).

The application of FRS 17 represents a change to those applied prior to 2003/2004. Our previous policy on Pensions had been to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The operating costs of providing retirement benefits to employees are now recognised in the accounting period in which the benefits are earned by the employees. The new policies better reflect the Authority's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods:-

- (i) the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.02% lower (0.96% lower 2003/2004) after the replacement of employer's contributions with current service costs and Net Operating Expenditure is 1.69% higher (1.31% higher 2003/2004) than it would otherwise have been.
- (ii) the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 20.05% (15.11% in 2003/2004).

The Discount Rate for Defined Benefit Pension Scheme Liabilities has been changed from a rate determined each year by the Government Actuaries Department based on the assumed long-term real rate of return expected to be earned on a portfolio of long-dated index linked stocks to the 'current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities', which is often referred to as a 'AA Corporate Bond Rate'. During 2004/05 the Council's Net Pension Liability has increased by £105.0m of which £67.8m is as a result of the change in the discount rate from 6.3% to 5.4%.

2.4 Cost of Support Services

The costs of management and administration in central Departments are accounted for in accordance with the recommendations of the CIPFA Best Value Accounting Code of Practice (BVACOP). These are almost wholly recharged to services as support costs on the basis of recorded time spent by staff on service activity or on the basis of the number of transactions undertaken. Exceptions to this general rule are: -

- The cost of support services provided to the Council through the joint arrangement with RBT (Connect) Ltd. have been apportioned to services using historical information as a basis.

- The costs of office accommodation are pooled and recharged to services on the basis of floor area occupied.
- Corporate and Democratic Core (CDC) (comprising Democratic Representation and Management (DRM) and Corporate Management (CM)).
- Non Distributed Costs (NDC).

The elements of cost which are to be included within CDC and NDC are defined within the Code of Practice and the appropriate figures are shown separately within the Consolidated Revenue Account.

2.5 Revenue Grants

Revenue grants and subsidies are credited to the appropriate revenue service accounts with accruals being made for amounts either known or estimated to be receivable in the financial year.

2.6 Trading Accounts

Trading operations are carried out as an integral part of the revenue budget of the "parent service". The relevant figures (e.g. in relation to turnover, etc.) are shown in a separate section within this Statement of Accounts, and the resultant net surplus/deficit is disclosed within the Consolidated Revenue Account.

3. Capital Accounting

3.1 Introduction

All expenditure on the acquisition, creation or enhancement of fixed assets, together with grants and advances to third parties for similar expenditure, is capitalised on an accrual basis. Expenditure on routine repairs and maintenance is charged directly to service.

Capital expenditure on fixed assets with a total expenditure of less than £0.010m is deemed to be immaterial to the financial position of the authority. Where such expenditure is made, it is written off to the Fixed Asset Restatement Account (FARA) in the year.

All expenditure on fixed assets which amount to less than £0.300m is also written off in the year it is finalised. However, the council valuer is asked to consider whether an asset is created and, if so, such items are added to the assets during the following year.

Where expenditure above the £0.300m threshold is incurred, and results in the creation or enhancement of an asset, it is added at cost to the asset value. This value is then included in any subsequent revaluation.

Assets under construction are carried at cost at the year end.

3.2 Revaluation

In accordance with CIPFA recommended best practice the council operates a rolling revaluation programme to ensure that fixed assets are revalued at least once every five years.

Properties are valued on the basis of open market value for existing use or, where this could not be assessed because there is no market value for the asset, on the depreciated replacement basis. In addition the council values all its infrastructure, vehicles, plant, equipment and community assets at historical cost. Housing stock is revalued annually using the beacon principle.

Surpluses/deficits arising from revaluation are credited to the Fixed Asset Restatement Account.

The Council carries out an annual review of its assets for impairment (FRS 11). This aims to identify any extra-ordinary changes to the value of its assets. Consideration is also given to the impact of general changes on asset values during the year.

3.3 Capital Charges for use of Fixed Assets.

Services are charged with a capital charge for all assets used in the provision of services. This incorporates a capital financing charge determined by applying a specified notional rate of interest to net asset values based on written down asset values plus an annual provision for depreciation, where appropriate. They are calculated on the net value of assets at 1 April.

a) Capital Financing Charge (Notional Interest)

The notional interest is calculated in accordance with the rate specified annually by CIPFA. The rates for 2004/2005 were 3.5% for all assets carried at current value (3.5% for 2003/2004) and 4.8% for those carried at historic cost (ie infrastructure and community assets) (4.625% for 2003/2004).

b) Depreciation

Depreciation is provided on all fixed assets over the useful life of the asset. The useful life of the asset is assessed by the valuer each time the asset is revalued. The valuer also estimates life of assets held at historic cost. Generally these are as follows:-

Council Dwellings	30 years
Other Buildings	up to 60 years
Infrastructure	40 years
Equipment	10 years
Computers/vehicles	3/7 years

Depreciation is calculated using a straight line method, with the exception of vehicles where a reducing balance method is used.

No depreciation is charged on land included in the valuation of operational assets. The commercial property portfolio is held as an investment and valued accordingly. Likewise no depreciation is charged on assets under construction until they are brought into use. No depreciation is charged on other non-operational assets.

- c) Capital charges have a neutral impact on the amount raised from local taxation as they are reversed out through the Asset Management Account and replaced by the actual external interest payable and the statutory Minimum Revenue Provision (MRP) for debt repayment.

3.4 Intangible Fixed Assets

Intangible Fixed Assets comprise expenditure which may properly be capitalised but which does not produce tangible fixed assets. As these assets give no long-term benefit to the Council the balance is written off in the year of expenditure.

The Council therefore follows a policy of transferring all such expenditure together with any associated capital grant, to revenue in the year.

3.5 Long-term Debtors

Expenditure resulting from premia incurred on the premature redemption of debt has until 2004/2005 been classified as a deferred charge. From 2004/2005 this expenditure has been re-classified as a long-term debtor but the policy continues to write off this debt to revenue on the following basis:-

- (i) Housing – over the remaining period of the loan redeemed or ten years whichever is shorter.
- (ii) General Fund – over the period of the replacement loan taken up.
- (iii) Metropolitan Debt – over the remaining period of the loan redeemed. This approach does not comply with the SORP, which requires non-Housing premia to be written off to revenue over the life of the replacement loan. The policy is consistent with that adopted in prior years and does not represent a materially different charge to the Metropolitan Debt Revenue Account.

3.6 Government Grants

Government grants and other contributions are accounted for on an accruals basis and included in the accounting statements when the conditions for their receipt have been complied with and there is a reasonable expectation that the grant or contribution will be received.

Where expenditure in relation to a fixed asset is to be financed wholly or partially by Government grant, the amount of the grant is credited initially to the Government Grants Deferred Account. Amounts are to be released to the Asset Management Revenue Account over the estimated useful life of the asset in order to match the depreciation charged on the asset to which it relates. For assets which are not to be depreciated (eg land and investment properties) the grants are transferred to the Capital Financing Account in the year they are used for funding.

The Authority acts as the accountable body for a number of Single Regeneration Budget (SRB) schemes. However, such schemes are partner-led, and the Authority has, as far as practicable, accounted for them in accordance with the recommendations of LAAP Bulletin No. 50.

3.7 Leases

Where assets are acquired under operating leases, the cost of the assets and the related liability for future rentals payable are not recorded in the balance sheet, since the Authority does not own the assets, but they are disclosed in a note to the Consolidated Balance Sheet (Note 5). Rentals that are payable under operating leases are charged to revenue on an accruals basis.

3.8 Repayment of Debt

Under the Local Authority (Capital Finance and Accountancy)(England) Regulation 2003, local authorities are required to set aside annually 4% of their Capital Financing Requirement (borrowing) relating to General Fund Services.

This is known as the Minimum Revenue Provision (MRP). To avoid an impact on the revenue accounts the difference between the MRP and depreciation charged to services is adjusted in the Consolidated Revenue Account by a transfer to/from the Capital Financing Account.

Principal repayments within the Metropolitan Debt Administration Account are based on a 10% Sinking Fund using a methodology prescribed in the Statutory Instrument 1986 No. 437. All principal repayments will be extinguished by 2020/2021.

3.9 Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of current Government legislation. Although income from the disposal of assets has to be split into 'reserved' and 'useable' elements (the reserved element must be set aside to repay debt and the useable element can be used to fund capital expenditure) currently, other than for housing, 100% of disposal values can be used to finance capital expenditure.

For Housing Revenue Account receipts, 75% of sale of dwellings and 50% of land sales are required to be paid to Central Government under an arrangement known as pooling. However land sales can be excluded provided they are used in the provision of affordable housing or regeneration projects.

4. Current Assets

4.1 Stocks and Work in Progress

SSAP 9 requires stocks and work-in-progress to be shown in the accounts at the lower of cost or net realisable value. Rotherham MBC does not comply with this practice but includes the value of stocks in the balance sheet at the latest purchase price and work-in-progress at cost.

The difference between the figures of stocks shown in the Consolidated Balance Sheet and those based on SSAP 9 is not considered to be material.

4.2 Investments

Any investments within the Consolidated Balance Sheet are shown at cost. Deposits are held with various banks, building societies and other Local Authorities where there is a minimal risk of loss in value. No dividends are payable on these investments. Interest receivable is credited to the General Fund.

5. Provisions, Reserves and Contingencies

5.1 Provisions

The Council sets aside provisions for future liabilities or losses which are likely or certain to be incurred, but where the amounts or dates on which they will arise cannot be determined accurately.

The purposes and extent of provisions set aside by the Council are detailed in a note to the Consolidated Balance Sheet (Note 9).

5.2 Reserves

Amounts set aside for purposes that fall outside the definition of provisions are reserves. Contributions to reserves generally arise out of surpluses on the Council's trading accounts and underspendings on services.

The purposes and extent of reserves held by the Council are detailed in a note to the Consolidated Balance Sheet (Note 17).

5.3 Contingencies

Contingencies, whether assets or liabilities, should not be recognised in the accounting statements. These are disclosed by way of notes to the accounts if there is probability of a receipt or transfer of economic benefits (asset) to the Council or there is probability of a payment or transfer of economic benefits (liability) from the Council.

5.4 Provision for Bad or Doubtful Debts

Amounts shown as due from debtors are adjusted for doubtful debts and known uncollectible debts are written off to the appropriate service accounts.

6. Group Accounts

6.1 The 2004 SORP has introduced revised requirements for the preparation of group accounts which are consistent with FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures. However, the Council has decided to use the transitional arrangements which permit it to delay full implementation until 2005/2006. The Council has concluded that the aggregate position is unlikely to be material to the Council's Balance Sheet.

7. Value Added Tax (VAT)

7.1 VAT is included in the accounts only to the extent that is irrecoverable.

8. Private Finance Initiatives

8.1 The Private Finance Initiative (PFI), is accounted for in accordance with provisions of Application Note F to Financial Reporting Standard No 5 (FRS5) and also by reference to guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires the Authority to consider whether it has an asset of any of the properties used or created for the purpose of the PFI. It is considered that the Authority does not have an asset in the PFI schools.

8.2 In accordance with applicable guidance, payments to private sector partners under PFI arrangements are shown in "Net Cost of Services" in the Consolidated Revenue Account as incurred. Under the Capital Financing regulations payments made under PFI arrangements are classified as expenditure for capital purposes, and the Authority has the option to make a transfer to the Capital Financing Account to reverse the amounts charged to the Consolidated Revenue Account. The amount transferred is therefore charged against the Provision for Credit Liabilities (PCL) in the year of the payment, and an equivalent amount is added to the Minimum Revenue Provision in the following year.

8.3 Central Government PFI Grant Support is shown in the Consolidated Revenue Account under the section "Sources of Finance". These amounts are currently paid by the Government as a Specific Grant, although the Government have indicated their intention to incorporate PFI Grant Support in the Formula Spending Share.

CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2005

2003/2004 Net Expenditure £000		2004/2005			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
1,938	Central Services to the Public	3,186	-938	2,248	
1,210	Court and Probation Services	1,296	-16	1,280	
31,361	Cultural, Environment & Planning Services	51,243	-17,140	34,103	
157,665	Education Services	242,840	-81,452	161,388	
11,114	Highways, Roads & Transport Services	14,426	-2,268	12,158	
13,442	Housing Services	174,223	-143,196	31,027	
61,811	Social Services	102,648	-33,723	68,925	
5,766	Corporate & Democratic Core	5,847	-201	5,646	
2,510	Non Distributed Costs	1,839	0	1,839	
286,817	NET COST OF SERVICES	597,548	-278,934	318,614	
1,481	Parish Council Precepts	1,581	0	1,581	
15,764	County and Other Levies	15,370	0	15,370	
-1,103	Surplus (-)/Deficit (+) on Trading operations, including dividends from other companies	50	0	50	10
-15,730	Asset Management Revenue Account	0	-28,620	-28,620	11
151	Losses on the repurchase of borrowing	325	0	325	
0	Contribution to Housing Pooled Capital Receipts	18,533	0	18,533	20
-1,616	Interest & Investment Income	0	-2,647	-2,647	
6,901	Pensions interest cost and expected return on pension assets	5,140	0	5,140	
292,665	NET OPERATING EXPENDITURE	638,547	-310,201	328,346	

CONSOLIDATED REVENUE ACCOUNT (continued)			
2003/2004 Net Expenditure £000		2004/2005 Net Expenditure £000	Note
292,665	Brought forward	328,346	
2,526	Surplus (+)/Deficit (-) transferred to (+)/from (-) HRA	2,531	13
838	Contributions to (+)/from (-) Housing Reserves	-7,551	
0	Contributions to (+)/from (-) Insurance Reserve	0	
17,674	Contribution to (+)/from (-) Other Earmarked Reserves	11,152	14
-11,407	Contribution to (+)/from (-) Capital Reserves	-2,910	15
-15,626	Contribution from Capital Reserves	0	15
199	Capital expenditure financed from Revenue	1,159	17
0	Transfer from Usable Capital Receipts	-18,533	20
-3,797	Contribution to (+)/from (-) the pensions reserve	-5,417	
283,072	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	308,777	
-139,176	Revenue Support Grant	-153,594	
0	PFI Grant Support	-8,213	22
-72,710	National Non-Domestic Rate redistribution	-69,688	
-69,294	Demand on Collection Fund	-74,235	
-1,000	Transfer to (+)/from (-) Collection Fund in respect of surpluses/deficits	-1,000	
892	NET GENERAL FUND SURPLUS (-)/DEFICIT (+)	2,047	
-9,595	Balance on General Fund brought forward	-10,441	
-1,738	Reclassification/Transfers	-3,389	
-10,441	GENERAL FUND BALANCE CARRIED FORWARD	-11,783	
-3,102	General Fund balance attributable to school budgets	-3,111	

Notes to the Consolidated Revenue Account

Note 1. Best Value Accounting Code of Practice (BVACOP)

The Council's accounts are prepared in accordance with the BVACOP produced by CIPFA.

Note 2. Consolidated Revenue Account Balance at 31 March 2005

The composition of the Consolidated Revenue Account balance at 31 March 2005 is as follows:-

2003/2004 £000		2004/2005 £000
8,427	General Fund *	11,783
2,014	(Former) DSO Reserves	0
10,441	Total	11,783

* Within the General Fund element of the above balance there is an amount of £3,111,000 (2004/2005) which represents the cumulative net underspendings on schools' delegated budgets under the Scheme of Local Management. This sum is unavailable for any other use.

Note 3. Publicity

The Local Authority is required by Section 5 of the Local Government Act 1986 to disclose expenditure incurred on publicity. During 2004/2005 such expenditure amounted to £2,852,000 (2003/2004 £2,446,000) made up of :-

2003/2004 £000		2004/2005 £000
1,032	Recruitment Advertising	1,090
256	General Advertising	183
917	Promotional Material	1,286
241	Press and Publicity	293
2,446	Total	2,852

Note 4. Local Government Act 1972 (Section 137) Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government Act 2000, allows local authorities to incur expenditure on grants and donations to voluntary and not-for-profit organisations and to "promote well-being" generally. The Council incurred no expenditure during 2004/2005 under the remaining powers of section 137 of the Local Government Act 1972 (Nil in 2003/2004).

Note 5. Pensions

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

(a) Teachers

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

During 2004/2005 the Council paid employer's contributions calculated at 13.5% amounting in total to £11,205,000. (For 2003/2004 the corresponding figures were 13.5% and £10,708,000.)

(b) Other Local Government Employees

The requirements of FRS 17 with regard to the disclosure of information have now been fully adopted.

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. 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's participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority (this is a funded scheme), means that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. During 2004/2005 the Council paid employer's contributions calculated at 13.8% amounting to £16,680,913. (For 2003/2004 the corresponding figures were 13.8% and £15,692,372).

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 real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:-

2003/2004 £000		2004/2005 £000
	Net Cost of Services	
-11,559	- Current Service Cost	-15,851
-1,154	- Past Service/Curtailment Cost	-557
	Net Operating Expenditure	
-2,180	- Current Service Cost - Trading Services	-2,995
-26,540	- Interest Cost	-29,859
19,639	- Expected Return on Assets in the Scheme	24,719
	Amounts to be met from Government Grants and Local Taxation:-	
3,797	- Movement of Pensions Reserve	5,417
	Actual amount charged against Council Tax for pensions in the year:-	
17,997	- Employers' contribution payable to Scheme	19,126

Note 19 to the Consolidated Balance Sheet details the assumptions made in estimating the figures included in this note. Note (vi) to the Statement of Total Movements in Reserves (Note 18 to the Consolidated Balance Sheet) details the costs that have arisen through the year. Estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

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 6. Leasing

Relevant details of the Authority's ongoing leasing arrangements are set out below: -

2003/2004 £000		2004/2005 £000
	Operating Lease Rentals paid in year:	
1,094	- Primary rentals	817
38	- Secondary rentals	96
	Undischarged obligations under all leases at the year end:	
817	- payable within one year	633
1,718	- payable within two to five years	1,335
250	- payable after five years	0

Note 7. Local Authority (Goods and Services) Act 1970

Local Authorities are empowered by the above legislation to provide goods and services to other public bodies.

During 2004/2005 Rotherham MBC provided such services to its former colleges, parish councils and other public bodies to the value of £430,957 (£228,235 during 2003/2004). The services covered included building maintenance, grounds maintenance and cleaning of buildings.

Note 8. Staff Remuneration

The Accounts and Audit Regulations 2003 require the Authority to disclose the number of employees whose remuneration, excluding pension contributions, fell in each bracket of £10,000 starting with £50,000. For 2004/2005 the numbers are :-

2003/2004		2004/2005
21	£50,000 - £59,999	22
18	£60,000 - £69,999	22
4	£70,000 - £79,999	4
4	£80,000 - £89,999	6
1	£90,000 - £99,999	1
0	£100,000 - £109,999	0
0	£110,000 - £119,999	1

Note 9. Related Party Transactions

The objective of FRS8 Related Party Disclosures is to ensure that attention is drawn to the possibility that the reported financial position and results may have been affected by the existence of related parties and by transactions with them.

The table below discloses transactions between the Council and its Members, Senior Officers or other related parties in addition to those identified elsewhere in the Statement of Accounts (Note 20 to the Consolidated Balance Sheet). The information provided also includes other bodies, that may not necessarily meet the definition of a related party, though the Council considers that the information provided will be useful to a reader of the accounts.

Related Parties	Nature of Transactions	£
Assisted Organisations		
All Pakistan Women's Association	Grant, fees and charges	149,772
Dinnington Resource Centre	Fees and charges	27,405
Doncaster Indoor Bowling Club	Fees and charges	9,240
Eastwood Action Residents	Fees and charges	1,060
Full Life Christian Centre	Grant, fees and charges	33,534
Get Sorted Academy of Music	Grant, fees and charges	103,999
Groundwork Dearne Valley	Grant, fees and charges	179,024
Kiveton Park and Wales Community Development Trust	Grant, fees and charges	9,694
Manor Farm Tenants & Residents Association	Grant	890
Rotherham Disability Information Services	Grant	50,079
Rotherham Furniture Plus	Grant, fees and charges	19,405
Rotherham Play and Learn Bus	Grant, fees and charges	73,285
Rotherham School Sports Association	Grant, fees and charges	4,505
Rush House	Grant, fees and charges	456,536
Spurgeon's Childcare	Grant, fees and charges	141,590
St Ann's Breakfast Buddies	Grant	8,936
Tassibee	Grant, fees and charges	83,311
Member Related		
Citizens Advice Bureau	Grant, fees and charges	134,168
Creation Recycling	Loan	105,954
Magna	Grant, loan, fees and charges	160,637
Phoenix Enterprises (Roth) Ltd	Grant, loan, fees and charges	412,490
Robond	Grant	94,226
Rotherham Advice and Information Network	Grant, fees and charges	27,711
Rotherham Community Transport	Fees and charges	176,073
Rotherham Age Concern	Grant, fees and charges	704,936
Rotherham Credit Union Development Agency	Grant, fees and charges	29,791
Rotherham Crime Reduction Programme	Grant, fees and charges	332,210
Rotherham Ethnic Minority Alliance	Grant, fees and charges	21,937
Rotherham Racial Equality Council	Grant	17,635
Rotherham Rugby Union Football Club Ltd	Grant, loan, fees and charges	224,328
Rotherham United Football Club	Grant, fees and charges	8,160
Rotherham Women's Refuge	Grant, fees and charges	285,820
Swinton Lock Activity Centre	Fees and charges	28,531
Thomas Rotherham College	Grant, fees and charges	86,124
Treeton Partnership	External Funding	70,000
Voluntary Action Rotherham	Grant, fees and charges	550,194
Officer Related Organisations		
Rotherham Chamber of Commerce	Grant, fees and charges	131,939
Other Related Organisations		
South Yorkshire Passenger Transport Authority/Executive	Levy, fees and charges	13,924,443
The Environment Agency	Levy, fees and charges	51,968

Note 10. Surplus/Deficit on Trading Services, including dividends from companies

In accordance with the recommendations of CIPFA's Best Value Accounting Code of Practice (BVACOP) a number of trading accounts continue to be maintained by the Authority. The overall net deficit on those accounts (£50,000 for 2004/2005 after adjustment for FRS 17 requirements) has been transferred to the General Fund via the Consolidated Revenue Account. A separate section relating to the financial achievements of the Authority's trading services is included later in this Statement of Accounts (See page 41).

No dividends were received in 2004/2005 (During 2003/2004 £31,710 was received from BDR Waste Disposal Ltd).

Note 11. Asset Management Revenue Account

The Asset Management Revenue Account (AMRA) shows the difference between the capital charges made to services for the use of assets and the cost of borrowing to fund capital expenditure. It shows also the provision for depreciation that reflects, where appropriate, the reduction in the asset value of fixed assets.

The charges to services are based on the value of each asset and consist of depreciation, where appropriate, together with a notional interest charge.

There is also an adjustment made for the element of the difference that relates to the Housing Revenue Account.

The entries in the AMRA are summarised below:-

2003/2004 £000		2004/2005 £000
	Income:	
-52,454	Capital Charges	-61,249
-1,678	Impairment	-2,677
-1,087	Governments Grants Released	-1,080
	Provision for Depreciation:	
0	Prior years' adjustment	-5,355
-55,219		-70,361
	Expenditure:	
25,571	Provision for Depreciation:	26,669
12,240	External Interest Charges	12,395
1,678	Impairment	2,677
39,489		41,741
-15,730	Surplus to Consolidated Revenue Account	-28,620

Note 12. Interest and Investment Income

Interest earned on revenue balances held by the Authority is credited in the Consolidated Revenue Account. It is utilised by the Authority in order to reduce the necessity for external borrowing. Such interest receipts/costs are recorded net.

Note 13. Surplus/Deficit on the Housing Revenue Account

During 2004/2005 the Housing Revenue Account showed a surplus of £2,531,405 after crediting a proportion (£137,902) of the previous year's Building Works surplus. After consolidation, this sum is transferred and added to the accumulated surplus of the HRA.

A separate statement relating to the operation of the Housing Revenue Account in 2004/2005 is included later (Page 35).

Note 14. Contributions to/from General Fund Earmarked & Ring-fenced Reserves

Contributions made to and from General Fund earmarked and ring-fenced reserves during the year are set out below. The effect of these contributions on the level of those reserves can be seen in the note to the Consolidated Balance Sheet (Note 17).

	Contributions To Reserves £000	Contributions From Reserves £000	Net £000
<u>General Fund only</u>			
Capital Fund	38		
Infrastructure Maintenance Fund	19		
Energy Conservation	65		
Invest to Save	243		
Libraries & Museum		39	
Cemeteries & Crematorium R&R			
Rating Revaluation Refunds	844		
Corporate IT Initiatives		139	
CERB - Economic & Development Services	35		
CERB - Social Inclusion		171	
Maintenance of Buildings		102	
Statutory Costs		76	
Winter Conditions		98	
53 Week Year	97		
Property Asset Bank		103	
Managed Workspace R&R	49		
Miscellaneous		26	
Communications			
Objective 1		26	
Waste Minimisation		139	
Libraries Book Fund		117	
Woodhouse Mill Nature Reserve		24	
Commutation Adjustment	1,054		
PFI Schools	9,989		
Asylum Seekers		181	
Schools Declared Savings		40	
Total	12,433	1,281	11,152

Note 15. Contribution to (+)/from (-) Capital Account(a) Contribution to (+)/from (-) Capital Financing Account

The Minimum Revenue Provision (MRP) is the sum the Council is required to set aside each year to repay debt incurred in financing capital expenditure. The amount required to be set aside is 4% of General Fund debt but there is no longer any requirement to set aside an amount in respect of the Housing Revenue Account. The sum replaces the amount charged to services in the form of depreciation, which is transferred from the Capital Financing Account. The purpose of the adjustment is to reduce the charge to council taxpayers to the statutory minimum requirement.

The other adjustments represent the capital financing associated with deferred charges and impairment written off to revenue, together with deferred government grants released to offset depreciation on associated assets. The prior year adjustment reflects the writing back of depreciation on land incorrectly charged in previous years.

2003/2004 £000		2004/2005 £000
	MRP Calculation	
1,503	Housing Revenue Account	0
4,453	General Fund	3,715
5,956		3,715
	<u>Less</u>	
	Amounts charged as depreciation	
-14,769	General Fund	-8,032
0	General Fund - prior years' adjustment	5,355
-14,769		-2,677
	<u>Other adjustments:</u>	
-2,003	Deferred Charges written down	-2,351
-1,678	Impairment	-2,677
1,087	Capital grants deferred	1,080
-2,594		-3,948
-11,407	Contribution to (+)/from (-) Capital Financing Account	-2,910

(b) Commutation Adjustment

In 2003/2004 the Council made a technical adjustment to its accounts for the cumulative effect of the commutation adjustment which had not been actioned in prior years. This resulted in a sum of £15,626,000 being transferred from the Capital Financing Account to the Consolidated Revenue Account in 2003/2004. In 2004/2005 the commutation adjustment has been actioned as necessary meaning no such similar transfer was required to be made in the year.

Note 16. Members' Allowances

Members' allowances during 2004/2005 totalled £926,434 (2003/2004 £921,949). Detailed information about Members' allowances can be obtained from the Head of Corporate Finance, Civic Building, Walker Place, Rotherham, S65 1UE.

Note 17. Capital Expenditure Financed from Revenue

Capital expenditure totalling £1.159m was funded directly from revenue in 2004/2005 as follows:-

2003/2004 £000		2004/2005 £000
0	Housing Revenue Account	900
199	General Fund	259
199	Total	1,159

Note 18. Building Regulations Control Services

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – “details of scheme for setting charges”. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total cost of operating the Building Control Unit during 2004/2005 divided between the chargeable and non-chargeable activities. The surplus on chargeable activities disclosed below does not incorporate the effect of FRS17, the effect of which would be to reduce the surplus to £43,000 (see also Trading Services Statement on Page 41).

	Chargeable £000	Non- Chargeable £000	Total £000
Expenditure:			
Employee Expenses	370	151	521
Premises	0	0	0
Transport	17	1	18
Supplies and Services	19	7	26
Central and support service charges	108	2	110
TOTAL EXPENDITURE	514	161	675
Income:			
Building Regulation Charges	-563	0	-563
Miscellaneous Income	0	0	0
TOTAL INCOME	-563	0	-563
Surplus (-)/Deficit (+) for year	-49		

The Authority is required to return at least a break-even position over a 3-year period on its chargeable activities. The Unit recorded a surplus of £1,000 in 2002/2003, a surplus of £2,000 in 2003/2004 and a surplus of £49,000 in 2004/2005.

Note 19. Pooled Budgets

The Council, through Social Services, has three pooled budget arrangements with Rotherham Primary Care Trust to enable joint working under section 31 of the Health Act 1999.

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 Primary Care Trust acts as a "host" for the third where, from April 2004, it became lead provider for the provision of Integrated Community Equipment Service.

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

Intermediate Care

2003/2004 £000		2004/2005 £000
-623	Funding from Rotherham Primary Care Trust	-608
-814	RMBC (Social Services) Contribution	-1,016
-1,437	Total Gross Income	-1,624
1,342	Total Gross Expenditure	1,568
-95	Net Expenditure (+)/Income (-)	-56

Learning Disabilities Services

2003/2004 £000		2004/2005 £000
-7,263	Funding from Rotherham Primary Care Trust	-8,153
-6,950	RMBC (Social Services) Contribution	-11,093
-14,213	Total Gross Income	-19,246
14,311	Total Gross Expenditure	20,305
98	Net Expenditure (+)/Income (-)	1,059

Note 20 Housing Pooled Capital Receipts

2004/2005 is the first year that the Council has been required to pay a proportion of its specified housing related capital receipts into a Government pool for redistribution. The Council is required to disclose this payment within the Council's Net Operating Expenditure but in order that there is no effect on the 'Amount to be met from Government Grants and Local Taxation' this deficit is made good by an equivalent appropriation from Usable Capital Receipts.

Note 21 **Audit Costs**

In 2004/2005 the Authority incurred the following fees relating to external audit and inspection:-

2003/2004 £000		2004/2005 £000
299	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	383
128	Fees payable to the Audit Commission in respect of statutory inspection	84
191	Fees payable to the Audit Commission for the certification of grant claims and returns	156
0	Fees payable in respect of other services provided by the appointed auditor	0
618	Total	623

Expenditure on external audit services in 2004/2005 includes an additional £28,000 to that originally planned which relates to agreed further statutory audit work.

Note 22 **Long-Term Contracts**

(a) Public Finance Initiatives

At 31 March 2005 the Council had one long-term contract under Private Finance Initiative (PFI) arrangements and is negotiating a second.

The first of these is for the provision of nine primary schools, two of which were completed in 2004/2005, and six secondary schools. The contract runs for 30 years and payments to the contractor during the year totalled £2,600,000. All work is due to be finished by January 2007, and payments will increase to the full charge in 2007/2008. Thereafter they will continue at this higher level for the duration of the contract, subject to availability and performance-related deductions and contractually agreed inflation adjustments. During the year the Council received £8,213,000 of grant in support of this project.

A second contract is due to be signed in autumn 2005, and no payments have been made under this contract during the financial year. The contract provides for the building of four new swimming pools, a dry leisure centre and a joint service centre. £20,830,000 of PFI credits have been awarded to support this scheme.

(b) RBT (Connect) Ltd

2005/06 is the third year of the Council's 12 year contract with RBT (Connect) Ltd to deliver improvements to the quality of service delivery to the public. Details of the contract and 2004/2005 transactions can be found in the explanatory foreword (Section 8) and note 20 to the Consolidated Balance Sheet respectively.

THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the revenue transactions relating to the provision and maintenance of Council dwellings, and it is a requirement that the account is kept separate from other housing-related activities. The Local Government and Housing Act 1989 requires Authorities to ensure that all expenditure incurred on its Housing Revenue Account is met by income received (primarily from rents, Government grants and subsidies). Contributions from the General Fund are only allowed for certain specific services.

In considering the impact of the requirements of FRS 17 the Authority has concluded that it is unable to identify on a consistent and reliable basis the Housing Revenue Account's share of the assets and liabilities of the South Yorkshire Pension Scheme. Therefore pending further definitive guidance on the accounting treatment in relation to the Housing Revenue Account the following statement has not been adjusted to reflect the requirements of FRS 17.

HRA OPERATING ACCOUNT			
For the year ended 31 March 2005			
2003/2004 £000		2004/2005 £000	Note
	<u>Income</u>		
	Gross rental income:		
46,783	Dwelling rents	47,591	
786	Non-dwelling rents	844	
3,856	Charges for services and facilities	4,283	
22,394	HRA subsidy receivable	11,086	8
86	Housing benefit transfers from General Fund	7	
73,905	Total Income	63,811	
	<u>Expenditure</u>		
	Repairs, maintenance and management:		
13,023	Contributions to Housing Repairs Account	14,039	
13,316	Supervision and management	14,511	
8	Rents, rates, taxes and other charges	8	
27,228	Rent rebates	0	
-	Negative subsidy payment to Secretary of State	16,645	8
425	Provision for bad or doubtful debts	511	9
16,299	Cost of capital charge	24,579	5
10,802	Depreciation of fixed assets	18,637	6
1,678	Impairment of fixed assets	1,394	
75	Debt management costs	66	
82,854	Total Expenditure	90,390	
8,949	Net Cost of Services	26,579	

2003/2004 £000		2004/2005 £000	Note
-11,704	Adjusting transfer from Asset Management Revenue Account	-20,563	
102	Amortised Premia - Debt redemption	134	10
-271	Interest received	-498	
-265	Transfer from Building Works DLO Reserve	-138	
-12,138		-21,065	
-3,189	Net Operating Expenditure	5,514	
	<u>Appropriations</u>		
0	Revenue contributions to capital expenditure	900	
1,503	Minimum Revenue Provision (MRP)	0	5
-1,678	Transfer from Capital Financing Account	-1,394	
838	Transfer from Major Repairs Reserve	-7,551	
-2,526	Surplus (-)/Deficit (+) for the year	-2,531	
	<u>Housing Revenue Account Balance</u>		
-1,213	Balance brought forward at beginning of year	-3,739	
-2,526	Surplus (-)/Deficit (+) for the year	-2,531	
-3,739	Balance carried forward at end of year	-6,270	

Notes to the Housing Revenue Account

Note 1 Housing Stock at 31 March 2005

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,430	2,888	5,322
2 Bedroom	2,165	2,921	1,899	6,985
3 Bedroom	9,379	318	46	9,743
4+ Bedroom	249	10	0	259
Total	11,797	5,679	4,833	22,309

Note 2 (a) Housing Stock Valuation - Operational Assets including Dwellings

Council Dwellings	£000
As at 1 April 2004	454,160
Prior year adjustment	761
Additions in Year	25,228
Disposals and Demolitions	-20,674
Revaluations in Year	413,928
Depreciation in Year	-18,433
Impairment	-1,394
Net Book Value as at 31 March 2005	853,576

Garages/Other Assets	£000
As at 1 April 2004	0
Additions in Year	311
Disposals and Demolitions	0
Revaluations in Year	4,798
Depreciation in Year	-204
Impairment	0
Net Book Value as at 31 March 2005	4,905

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 have been valued for the first time in 2004/05 based upon capitalised income streams.

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

(b) Vacant possession

	£000
Value as at 1 April 2004	1,268,218

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 3 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.

2003/2004 £000		2004/2005 £000
4,193	Balance as at 1 April	812
10,802	Depreciation in the year	18,637
838	Reversal of depreciation in excess of MRA	-7,551
-15,021	Financing of Capital Expenditure	-11,140
812	Balance as at 31 March	758

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). The depreciation charged to the account less the MRA of £11.086m equals the reversal of depreciation figure shown above (£7.551m). The significant change in this latter figure compared to 2003/2004 reflects the increased depreciation charge in the year arising from the revaluation of Council dwellings (see Note 2 above).

Note 4 Financing of Capital Expenditure

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

	2004/2005 £000
Funded by Borrowing	5,583
Capital Receipts	6,952
Revenue Contributions	900
Government Grants/Other Capital Income	924
Major Repairs Reserve	11,140
Accruals Basis	25,499
Change in Capital Creditors	0
Cash Basis	25,499

During the year total capital receipts of £26,493,101 were received by the HRA of which £7,960,363 was available to support capital expenditure.

Note 5 Cost of Capital Charge

The Cost of Capital Charge of £24.579m is intended to reflect the cost of public sector capital tied up in council housing. A depreciation charge is included to reflect the consumption of these assets over their useful life. These are included in the net cost of service as an indicator of the resources used.

To ensure that these items do not affect the amount of rent income from tenants that is required to balance the HRA budget, these costs are reversed out by means of the Adjusting transfer from AMRA. This leaves the HRA to continue to bear its share of the Council's debt management and financing costs.

These items are calculated in accordance with the Item 8 General Determination for the year.

There is no longer a requirement to set aside a Minimum Revenue Provision (MRP) from the Housing Revenue Account in respect of housing debt.

Note 6 **Depreciation**

A depreciation charge of £18,433,000 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 2004 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years in line with Government Guidance.

An additional depreciation charge of £204,000 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 2004 and has been calculated using the 'straight line' method over 25 years.

Note 7 **Impairment**

An impairment charge of £1,394,000 has been included in respect of dwelling houses awaiting demolition (£1,678,000 in 2003/2004).

Note 8 **HRA Subsidy**

2003/2004 £000		2004/2005 £000
21,509	Management and Maintenance	22,644
11,640	Major Repairs Allowance	11,086
7,821	Charges for Capital	6,477
0	Tenant Participating Compacts	0
0	Resource Accounting	0
-51	Interest on Receipts	-38
0	Admissible Allowance	103
-46,049	Guideline Rent Income	-45,976
-5,130		-5,704
27,343	Rent Rebate Entitlement	0
181	Defects grant and prior year adjustments	145
22,394	Subsidy Claimable	-5,559

A major change introduced by the Local Government Act 2003 and applicable from 2004/2005 was moving the requirement to account for rent rebates in the Housing Revenue Account to the General Fund. The Council is required to pay to the Government the negative subsidy arising from this change.

Note 9 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2003/2004 £000		2004/2005 £000
895	Rent Arrears at 31 March	936
888	Current Tenants	1,035
1,783	As at 31 March 2005	1,971

As at 31 March 2005, the level of rent arrears for current tenants as a proportion of gross rent income was 1.85% (1.75% 2003/2004).

2003/2004 £000	Bad Debt Provision in respect rent income	2004/2005 £000
825	As at 1 April 2004	825
0	Change in the year	107
825	As at 31 March 2005	932

Provision has also been made in the accounts for write-offs in respect of tenants' and former tenants' rechargeable repairs as shown below.

2003/2004 £000	Bad Debt Provision in respect of the rechargeable repairs	2004/2005 £000
0	As at 1 April 2004	425
425	Change in the year	258
425	As at 31 March 2005	683

Note 10 Amortised Premia - Debt Redemption

The cost of debt redemption premia charged to the HRA in 2004/2005 was £134,000.

TRADING ACCOUNTS – SUMMARY REVENUE ACCOUNT 2004/2005

The overall net surplus (or deficit) on the trading accounts operated by the Council has been consolidated and transferred to general balances.

The results of those trading accounts operated by the Authority during the year are shown below:-

2003/2004 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2004/2005 Surplus (-)/ Deficit (+) £000
-358	Building Works	29,455	-29,318	137
	Construction, Street Cleansing			
-90	and Landscaping	8,392	-8,415	-23
-82	Refuse Collection	4,158	-4,182	-24
61	Vehicle Maintenance	2,334	-2,289	45
-559	Property Services - Fee-billing	3,407	-3,616	-209
-83	Engineering - Fee-billing	2,779	-2,792	-13
-24	Cleaning of Buildings	3,849	-3,834	15
193	Markets	980	-1,027	-47
-7	Building Regulations Control	520	-563	-43
-122	School Support Services	6,863	-6,651	212
-1,071		62,737	-62,687	50

The surplus/deficit, as shown above, have not been recharged/reallocated to specific services within the accounts, and the net deficit of £50,000 is disclosed within the Consolidated Revenue Account as part of Net Operating Expenditure (Note 10 to the Consolidated Revenue Account refers). This net amount incorporates a £344,000 increase on expenditure arising from the adoption of FRS 17 into the accounts.

During 2003/2004 the Authority's Trading Accounts produced an overall surplus of £1,071,000. This figure was increased from a surplus of £761,000, for FRS 17 comparative purposes, by the incorporation of a £310,000 reduction on expenditure.

THE COLLECTION FUND**REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2005**

2003/2004			2004/2005	
£000	£000		£000	£000
66,703		Council Tax	70,536	
14,578	81,281	Council Tax Benefits	15,473	86,009
	43,590	National Non-Domestic Rates		46,449
	-18	Community Charge		0
	124,853	Total Income		132,458
		<u>Precepts</u>		
69,294		Rotherham Borough Council	74,235	
6,899		South Yorkshire Police Authority	7,681	
3,214	79,407	South Yorkshire Fire & Civil Defence	3,478	85,394
	1,200	Distribution of Collection Fund Surplus		1,223
	43,559	Contribution to NNDR Pool		46,138
		<u>Provision for Bad Debts</u>		
-136		NNDR	21	
75		Council Tax	-46	
-29	-90	Community Charge	-5	-30
	287	Collection Costs - NNDR		290
	124,363	Total Expenditure		133,015
	-490	SURPLUS (-)/DEFICIT (+) FOR THE YEAR		557

THE COLLECTION FUND BALANCE

2003/2004			2004/2005	
£000	£000		£000	£000
-2,398		Balance as at 1 April		-2,888
-490		Surplus (-)/Deficit (+) for the year		557
-2,888		Balance as at 31 March		-2,331

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 2004/2005 is shown below:-

Band	Ratio to Band D	Band D Equivalents
A	6/9	36,691
B	7/9	14,815
C	8/9	10,808
D	9/9	7,389
E	11/9	4,451
F	13/9	2,024
G	15/9	822
H	18/9	37
		77,037

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

Band	Band D Equivalents	Collection Rate @ 97%
A	36,691	35,590
B	14,815	14,371
C	10,808	10,484
D	7,389	7,168
E	4,451	4,317
F	2,024	1,964
G	822	797
H	37	35
	77,037	74,726

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

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

The NNDR collectable of £46,449,000 for 2004/2005 (£43,590,000 in 2003/2004) after allowing for reliefs and provisions was based on a total rateable value of £118,895,160 (£119,883,057 as at 31 March 2004) and a national multiplier of 45.6 pence in the pound (44.4 pence in 2003/2004).

Note 3. Community Charges

Although the Community Charge system was replaced by the Council Tax on 1 April 1993, the Council continues to account for residual adjustments 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 2005 (£2,331,000) represents funds to be ultimately distributed to the billing Authority (Rotherham MBC) and the major precepting Authorities (South Yorkshire Police Authority and South Yorkshire Fire and Civil Defence Authority) as follows:-

2003/2004 £000		2004/2005 £000
2,451	Billing Authority - Rotherham MBC	2,031
290	Major Precepting Authorities: - South Yorkshire Police Authority	205
147	- South Yorkshire Fire and Civil Defence Authority	95
2,888	Total	2,331

In setting the revenue budget for 2005/2006 the Council has agreed to use £1,500,000 of its share of the above balance. Of their respective balances £146,000 will be distributed to South Yorkshire Police Authority and £68,000 to South Yorkshire Fire and Civil Defence Authority in 2005/2006.

THE CONSOLIDATED BALANCE SHEET**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005**

2003/2004			2004/2005		Note
£000	£000		£000	£000	
	0	<u>Intangible Assets</u>		0	2
		<u>Tangible Fixed Assets</u>			
		Operational Assets			
454,160		- Council Dwellings	853,576		
325,268		- Other Land and Buildings	255,761		
2,508		- Vehicles, Plant, Furniture and Equipment	1,866		
35,370		- Infrastructure Assets	35,260		
4,822		- Community Assets	7,805		
822,128			1,154,268		
28,918		Non -Operational Assets	48,700		
	851,046	Total Fixed Assets		1,202,968	1
	0	Long-term Investments		6,100	3
	2,637	Long-term Debtors		2,312	
	853,683	Total Long-Term Assets		1,211,380	
		<u>Current Assets</u>			
1,532		Stocks and Work in Progress	1,351		4
42,469		Debtors	43,429		6
41,043		Short-term Investments	30,335		
9,226		Cash in hand or at Bank	13,025		
94,270			88,140		
		<u>Current Liabilities</u>			
-59,500		Creditors	-59,403		
-355		Temporary Loans	-366		
-454		Deferred Liabilities	-499		7
-60,309			-60,268		
	33,961			27,872	
	887,644	Total Assets less Current Liabilities		1,239,252	
-164,528		Long-term Borrowing	-164,168		8
-17,947		Deferred Liabilities	-17,448		7
-7,049		Provisions	-7,439		9
-105,509		Pensions Liability	-210,512		19
-295,033			-399,567		
592,611		TOTAL ASSETS less LIABILITIES		839,685	

CONSOLIDATED BALANCE SHEET (continued)					
2003/2004			2004/2005		Note
£000	£000		£000	£000	
	36,454	Government Grants Deferred		41,306	18
	458	Deferred Capital Receipts		330	14
	475,206	Fixed Asset Restatement Account		783,128	18
	134,526	Capital Financing Account		157,452	18
		Capital Receipts Unapplied			
	2,199	- Usable Part		5,376	18
	4,332	Unapplied Capital Grants/Contributions		6,393	18
	-105,509	Pensions Reserve		-210,512	19
41,245		Other Reserves	53,123		
812		Major Repairs Reserve	758		
	42,057			53,881	17
	2,888	Collection Fund		2,331	
592,611		TOTAL EQUITY		839,685	

Notes to the Consolidated Balance Sheet

Note 1. Tangible Fixed Assets

(a) Movement of Tangible Fixed Assets

The Council has previously conducted a review of its capital accounting arrangements that involved an examination of fixed asset classifications. As a result 'Non-operational Assets' has been split with two new classifications created (note (ii) refers). The prior year adjustments in note (i) reflect the writing out of assets disposed of in 2003/2004 but still shown in the asset values brought forward plus the writing back of depreciation on land incorrectly charged in previous years and an adjustment to the brought forward

(i) Operational Assets

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Equipment and Furniture £000	Infra- structure Assets £000	Community Assets £000	TOTAL £000
Certified Valuation at 31 March 2004	502,386	397,158	12,987	41,106	4,822	958,459
Accumulated Depreciation & Impairment	-48,226	-71,890	-10,479	-5,736	0	-136,331
Net Book Value at 31 March 2004	454,160	325,268	2,508	35,370	4,822	822,128
Prior Year Adjustments	761	5,310	-46	0	0	6,025
<u>Movement in 2004/2005:</u>						
Additions in Year for expenditure	25,228	20,533	463	7,991	887	55,102
Disposals in Year	-20,674	-64,129	-1,853	0	-683	-87,339
Revaluation in Year	413,928	-30,096	1,084	-7,198	3,232	380,950
Asset Re-classification	0	6,481	279	0	-453	6,307
Depreciation in Year	-18,433	-6,764	-569	-903	0	-26,669
Impairments	-1,394	-842	0	0	0	-2,236
Net book Value at 31 March 2005	853,576	255,761	1,866	35,260	7,805	1,154,268

(ii) Non-operational Assets

	Investment and Surplus Assets £000	Assets under Construction £000	TOTAL £000
Certified Valuation at 31 March 2004	20,948	11,026	31,974
Accumulated Depreciation & Impairment	-3,056	0	-3,056
Net Book Value at 31 March 2004	17,892	11,026	28,918
Prior Year Adjustments	0	0	0
<u>Movement in 2004/2005:</u>			
Additions in Year	883	12,460	13,343
Disposals in Year	-2,138	0	-2,138
Revaluation in Year	15,325	0	15,325
Asset Re-classification	3,664	-9,971	-6,307
Depreciation in Year	0	0	0
Impairments	-441	0	-441
Net Book Value at 31 March 2005	35,185	13,515	48,700

(b) Valuation

In order to comply with the new system of capital accounting, the Authority's capital assets were revalued as at 1 April 1995 by the Rotherham Technical Consultancy in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The Statement of Accounting Policies (earlier in this Statement) sets out the basis and principles of the new system of capital accounting.

Capital assets are revalued on the basis of a five-year rolling programme. In 2004/2005 the assets were revalued by qualified officers within the Council's Economic and Development Services.

(c) Analysis of Tangible Fixed Assets

A numerical analysis of the fixed assets of the Council at 31 March 2005, as shown in the Asset Register, is shown in the table below:-

2003/2004		2004/2005
	<u>OPERATIONAL ASSETS</u>	
23,389	Council Dwellings	22,309
0	Adult Advice/Advocacy Centre	1
28	Allotments	28
22	Car Parks	23
8	Cemeteries	8
4	Children's Homes	4
2	Children's Respite Care Units	2
112	Community Centres/Public Halls	112
1	Crematorium	1
6	Depots and Workshops	6
1	Golf Course	1
1	Laundry	1
4	Leisure and Sports Centres	4
15	Libraries	15
1	Magistrates Courts	0
1	Markets	1
3	Museums and Galleries	3
10	Office Buildings/District Offices	10
14	Pavilions	14
32	Recreation Grounds/Playing Fields	30
14	Residential Homes/Day Centres	13
6	Adult Day Centres	6
4	Adult Resource Centres	4
1	Independent Living Centres	1
3	Nursery Schools	3
89	Primary Schools	79
14	Secondary Schools	8
7	Special Schools	7
8	Swimming Pools	7
1	Theatre	1
1	Town Hall	1
135	Vehicles and Plant	91
	<u>NON-OPERATIONAL ASSETS</u>	
314	Commercial/Investment Property	337
59	Land Awaiting Development (Area - Acres)	84
	<u>INFRASTRUCTURE ASSETS</u>	
1,098	Road (Length - km)	1,094
	<u>COMMUNITY ASSETS</u>	
10	Parks	10

(d) Capital Expenditure and Financing

2003/2004 £000		2004/2005 £000
190,098	Opening Capital Financing Requirement	205,414
	<u>Capital Investment</u>	
45,052	Operational assets	65,073
9,933	Non-operational assets	3,372
2,003	Intangible assets	2,351
	<u>Sources of finance</u>	
-10,863	Capital Receipts	-12,302
-15,959	Government grants and other contributions	-25,782
-14,850	Revenue Provision	-16,523
205,414	Closing Capital Financing Requirement	221,603

2003/2004 £000		2004/2005 £000
	<u>Explanation of movements in year</u>	
15,316	Increase in underlying need to borrow (supported by Government financial assistance)	13,271
0	Increase in underlying need to borrow (unsupported by Government financial assistance)	2,918
15,316	Increase/(decrease) in Capital Financing Requirement	16,189

Note 2. Intangible Assets

During 2004/2005 Deferred Charges have been redesignated Intangible Assets in line with SORP guidance. Expenditure amounting to £2,351,000 was incurred and written off to the Consolidated Revenue Account. This was written out of the CRA through an adjustment to the Capital Financing Account (Note 15 to the CRA refers).

2003/2004 £000		2004/2005 £000
1,684	Balance as at 1 April	0
-1,533	Reclassification to Long-Term Debtors	0
151		0
2,003	Expenditure on deferred charges	2,351
-2,003	Amounts written off to Capital Financing Account	-2,351
-151	Amounts written off to other revenue accounts	0
0	Balance as at 31 March	0

Prior year comparator figures have been adjusted to reflect the re-classification of premia incurred by premature redemption of debt as long-term debtors.

Note 3. Long-Term Investments

During the year £6,100,000 of the £8,213,000 PFI grant received was invested long term, the balance remaining was invested short-term at the year end.

Note 4. Stocks and Work in Progress

Stock held at the year end was valued, in accordance with the principles set out in the Statement of Accounting Policies, at £1,351,000 as at 31 March 2005 (£1,532,000 as at 31 March 2004).

Work in progress is fully recharged to clients at the year-end.

Note 5. Leasing

The Council holds various capital assets (primarily computer equipment, plant and vehicles) under operating leases.

The Council was committed at 31st March 2005 to making payments of £633,000 under operating leases in 2005/2006, comprising the following elements:

	2004/2005 £000
Leases expiring in 2005/2006	0
Leases expiring between 2006/2007 and 2009/2010	453
Leases expiring after 2009/2010	180

Note 6. Debtors

2003/2004 £000		2004/2005 £000
3	Ratepayers	3
50	Community Charge	45
2,670	Council Tax	3,213
1,187	Business Rates	1,199
1,783	Housing Tenants	1,971
65	Car Loans to Employees	23
41,093	Sundry Debtors	41,461
46,851		47,915
	<u>Less Provision for Bad and Doubtful Debts</u>	
-1,402	Collection Fund	-1,372
-1,250	Housing Revenue Account	-1,615
-1,730	General Fund	-1,499
-4,382		-4,486
42,469	Net Total	43,429

Note 7. Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 82 of this Statement refers). As at 31 March 2005 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt administration amounted to £17,947,000, comprising £499,000 maturing within one year and £17,448,000 after that date.

Note 8. Long Term Borrowing

A summary of the Authority's long term borrowing position is set out below:-

2003/2004 £000		%	2004/2005 £000
118,478	Public Works Loans Board	2.50 - 9.625	118,118
46,050	Market Bonds	5.50 - 7.50	46,050
164,528	Total		164,168

Analysis of loans by maturity (at 31 March 2005) :-

2003/2004 £000		2004/2005 £000
360	Maturing within 1-2 years	365
1,050	Maturing within 2-5 years	983
16,222	Maturing within 5-10 years	46,038
146,896	Maturing more than 10 years	116,782
164,528	Total	164,168

Long term loans maturing within one year, totalling £360,000 as at 31 March 2005 (£349,000 as at 31 March 2004) have been excluded from the above and are included within the Temporary Loans balance shown in the Consolidated Balance Sheet.

Note 9. Provisions

The Code of Practice on Local Authority Accounting in Great Britain requires proper provisions to be made for any liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise.

Sums set aside for irregular but recurring expenditure in order to even out charges to services (e.g. contributions to renewals and repairs funds) are required to be treated as reserves.

Details of the provisions included in the Council's accounts as at 31 March are as follows:

2003/2004 £000		2004/2005 £000
6,526	Insurance	6,901
100	Restructuring - Housing Revenue Account	100
150	Section 11/82 Disrepair Claims - Housing Revenue Account	90
273	Section 117 Payments - Social Services	346
0	Dearne Valley Environmental Works	2
7,049	Total	7,439

A brief description of the Council's provisions is as follows:-

Insurance

The sum shown as a provision in the accounts has been increased and this has impacted on the reserve element earmarked to meet future potential and contingent liabilities (Note 17 below). The overall Fund balance shown in the accounts (inclusive of the reserve part) is net of amounts totalling £216,851 that have been advanced internally on a short-term repayable basis.

Moving into 2005/2006 the Council entered the third year of a three-year agreement on both property and liability risks. The contract for property risks is with Zurich Municipal. The contract for liability risks was awarded to American Re. as from February 2003 but the company has now withdrawn from underwriting local authority insurance business and has been replaced by AIG (Europe) Ltd.

Insurance cover for All Risk Items, Pecuniary Loss, Engineering Inspection, Small Craft, Personal Accident/Travel has again been arranged through Zurich Municipal.

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

(a) Liability

For a number of years now the Council's insurers have adopted a policy of no longer insuring risks from the 'ground up' on liability cover - third party, highways third party and employers liability. This is the approach all insurers now require Authorities to accept. Consequently the Authority met the first £100,000 of every settlement in 2004/2005. In effect the Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer and bears 20% of all claims up to a stop-loss limit of £400,000 in any one period of insurance.

The Fund bears the first £50,000 of all claims involving municipal and housing property, and the first £100,000 of all claims involving education property.

(c) Motor

All accidental damage to vehicles is self-funded. The Fund recoups the cost from user departments/services via a charge per vehicle. There is an excess of £250 on all claims (£500 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) I.T. Equipment

Schools information technology equipment remains insured in the Fund on an all-risks basis. Responsibility for insurance of departmental information technology equipment now rests with the Council's Strategic Partner, RBT (Connect) Ltd.

(g) Other Equipment

All schools' musical instruments and television and video equipment, Youth and Community and departmental 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
- Catering Conservators
- Motor Car Credit Guarantee
- Engineers' Computer Information
- Libraries' Transit Cover
- Time on Risk Cover
- York and Lancaster Exhibition

Restructuring – Housing Revenue Account

The Neighbourhoods Programme Area continues to undergo a major restructuring exercise. A provision for additional pension costs etc. which may occur and impact on the Housing Revenue Account as a result of that exercise has been made in the accounts. No costs were incurred in 2004/2005 and the existing provision has been retained in the accounts.

Section 11/82 Disrepair Claims – Housing Revenue Account

During 2003/2004 the number of Section 11/82 Disrepair Claims increased significantly and provision was made for legal costs associated with those cases still outstanding at 31 March 2004. During 2004/2005 the majority of cases were resolved but some cases are still outstanding and a provision for any possible costs has been retained in the accounts for this.

Mental Health Act 1983 Section 117 – Social Services

Section 117 of the Mental Health Act 1983 provides that Local Authorities have a duty to provide aftercare for people detained under the Mental Health Act. Legal advice obtained in 1995 by the Council indicated that as it is a statutory duty Local Authorities should not charge for these Aftercare Services and the Council ceased to charge from that date. Many Authorities continued to charge having obtained conflicting advice.

The legal position has now been clarified confirming charges should not be made and the Ombudsman has also advised that Local Authorities should take reasonable steps to establish which people might have been overcharged and to reimburse them. A search indicates a sum of £346,000 is payable to those individuals overcharged prior to the Council ceasing to charge for these services.

Dearne Valley Environmental Works

Environmental works have been undertaken in the Dearne Valley, at Wath and Brampton, funded by City Challenge. The provision has been created as there is a risk that some of the grant may need to be paid back to the sponsor.

Note 10. Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2005, a number of commitments had been made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or more) as at that date are listed below:-

	£m
Education	
Wath Pope Pius Sports Hall	1.295
Neighbourhoods	
Decent Homes Scheme - Wath phase 1D (Central)	1.048
Decent Homes Scheme - Wickersley 1a	1.695
Economic and Development Services	
Moorgate Business Crofts	1.593
Customer Service Centre	1.297

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

Note 11. Contingent Liability - Capital Contracts

Claims against the Council by contractors for completed capital contracts are estimated at £210,000 (a £137,000 claim by Mowlem PLC received November 2003 and a claim by Ringway Highway Services Northern Ltd for £73,000 received March 2005) at 31 March 2005.

Additionally, in 1992, upon the termination of a waste contract, the Council agreed to pay outstanding cost pass through claims, that is the cost of upgrading landfill sites to conform to waste management licence standards applied by the Environment Agency. Although the initial liability was settled, the agreement is on going and further cost pass through claims could arise. A 3-year rolling programme is being undertaken to examine this liability. Although additional payments may result, as yet details are not known and due to uncertainty/inability to estimate the costs no provision has been made in the accounts.

Note 12. Other Contingent Liabilities

(a) Equal Pay

In common with most local authorities in the country, the Council is exposed to the risk of legal challenge as a result of an historical evolution of local government pay practices.

In 1997, the Single Status Agreement for Local Government Employees was published, the purpose of which was to harmonise the terms and conditions of employment for former APT&C and former manual workers. As a part of this agreement, all local

Like the majority of other local authorities, the Council has a wide and diverse workforce with a range of pay and terms and conditions of employment. Following on from equal pay legal action that has been taken against some authorities, the Council is potentially facing a significant number of claims to the Employment Tribunal on grounds of Equal Pay.

Detailed work and discussions continue to be undertaken with all relevant Trade Unions to agree a settlement matrix for the claimants concerned. This will enable the authority to settle the retrospective equal pay claims submitted covering the previous 6 years from the proposed date of calculation for claim purposes. Although it is hoped to conclude this issue during 2005/2006 the value and timing of the payments remains uncertain.

(b) Municipal Mutual Insurance Ltd. (MMI)

Latest estimates show that the Council has claims outstanding with MMI as at 31 March 2005 of £578,599.

In 1992, when MMI declared that they were insolvent, the company's creditors entered into a Scheme of Arrangement whereby the company would continue to meet claims. However, if at any time the company was unable to meet claims creditors would be liable for payment of 20% of total claims to date over a £50,000 threshold. As at 31 March 2005 the Authority had lodged claims of £3,707,866 above the threshold giving a maximum liability under the Scheme of £731,573.

(c) Bramley Depot – Wood Preservative Leak

During 2003/2004 a leak of wood preservative caused damage to the former site of the Building Works depot at Bramley.

On advice of consultants the damage was made good to minimum Environment Agency standards and the pollution contained. It is not anticipated that any more remedial work will be needed to contain the contamination unless ongoing sampling and monitoring works dictate otherwise. Additional work would be required if the Authority wished to use the land for a purpose requiring a higher standard. The Authority is currently considering the future use of the land but no decision has yet been reached. Until such a decision is made the future cost of making the site fit for its eventual purpose is unquantifiable. Although uncertainty over the future commitment of expenditure currently depends upon an internal decision of the Council at some future date environmental standards may be tightened requiring additional Council expenditure.

(d) Maltby Landfill Site

Ibstock Brick Ltd have issued court proceedings against the Council to claim for an alleged failure of the Council to comply with certain obligations contained within the waste disposal licence applying to the former Maltby Landfill Site. The Council is contesting the claim in respect of a number of the alleged failures contained within the particulars of the claim. As a result, the extent and timing of any liability is unknown.

Note 13. Analysis of Net Assets Employed

The net assets (revenue and capital) employed at 31 March 2005 are as follows:-

2003/2004 £000		2004/2005 £000
148,759	General Fund	175,073
546,473	Housing Revenue Account	872,793
2,888	Collection Fund	2,331
698,120	Total excluding Pensions Reserve	1,050,197
-105,509	Pensions Reserve *	-210,512
592,611	Total	839,685

* The Authority has concluded that it is unable to identify a consistent and reliable basis to split the assets and liabilities of the South Yorkshire Pension Scheme between the General Fund and Housing Revenue Account.

Note 14. Deferred Capital Receipts

Deferred capital receipts are amounts due from the sale of assets that will be received in instalments over time. The main component of such receipts is represented by mortgages on council houses sold to (former) tenants.

Note 15. Euro Costs

The Authority remains a member of the CIPFA Euro Forum. To date no detailed, costed changeover plan has been prepared, nor have any material sums been spent on preparations. A sum of money has been identified, within the Council's general balances, which can be called upon as required when any plans with regard to the Euro are finalised and put into practice.

Note 16. 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 those supplies. Accumulated interest balances, and the respective balance sheets are shown below:-

	Balance as at 1 April 2004 £	Income £	Expenditure £	Balance as at 31 March 2005 £
Treeton Council School War	381	19	0	400
EJ Butland, Treeton Infants	297	18	0	315
Whiston Two Wars Memorial	876	74	0	950
Total	1,554	111	0	1,665

Trust Funds - Balance Sheet as 31 March

2003/2004 £		2004/2005 £
	Assets	
	Investments	
58	- Treeton Council School	58
59	- EJ Butland	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
0	Debtors	0
1,554	Cash	1,665
1,904	Total Assets	2,015
	Financed by:	
350	Fund Balance	350
1,554	Accumulated Investment Interest	1,665
1,904	Total Equity	2,015

The investments referred to above relate to War Loan Stock.

Note 17. Reserves

	Balance as at 1 April 2004 £000	Transfers in (+)/out (-) in Year £000	Surplus (+)/Deficit (-) in Year £000	Contribution to (+)/from (-) Reserves £000	Balance as at 31 March 2005 £000
General Fund					
Total (excluding Schools)	5,325	5,403	-2,056	0	8,672
* Schools Delegated Budgets	3,102	0	9	0	3,111
General Fund	8,427	5,403	-2,047	0	11,783
Trading Organisations:					
Building Works	874	-874	0	0	0
Construction	1,140	-1,140	0	0	0
	2,014	-2,014	0	0	0
Total - General Fund	10,441	3,389	-2,047	0	11,783
Trading					
Stores Surplus/Deficiency	3	-3	0	0	0
Building Works Apprentice Training	41	-41	0	0	0
Building Works IT Initiative	414	-62	0	-352	0
Building Works Renewal & Repairs	569	-762	0	193	0
Eng Depots Renewal & Repairs	23	-38	0	15	0
Markets	32	0	0	56	88
Insurance	456	1,000	0	-450	1,006
Total-Trading	1,538	94	0	-538	1,094
Repayable					
Capital Fund	416	0	0	38	454
Infrastructure Maintenance Fund	727	0	0	19	746
Energy Conservation	363	0	0	65	428
Invest to Save	247	0	0	243	490
Total - Repayable	1,753	0	0	365	2,118
Other Earmarked					
Libraries & Museum	139	0	0	-39	100
Cemeteries & Crematorium Renewal & Repairs	24	-24	0	0	0
Rating Revaluation Refunds	2,125	-4,067	0	1,942	0
Corporate IT Initiatives	511	62	0	-139	434

Reserves (continued)	Balance as at 1 April 2004 £000	Transfers in (+)/out (-) in Year £000	Surplus (+)/Deficit (-) in Year £000	Contribution to (+)/from (-) Reserves £000	Balance as at 31 March 2005 £000
CERB (Social Inclusion)	219	-48	0	-171	0
CERB (Economic & Development Services)	17	0	0	35	52
Maintenance of Buildings	455	98	0	-102	451
Statutory Costs	598	0	0	-76	522
Winter Conditions (Economic & Development Services)	98	200	0	-98	200
Vehicle Renewals	0	0	0	0	0
53 Week Year	661	0	0	97	758
Property Asset Bank	103	0	0	-103	0
Managed Workspace R&R	120	0	0	49	169
Miscellaneous	54	-22	0	-26	6
Education Staff Absences (Schools Insurances)	0	0	0	0	0
Objective 1	220	0	0	-26	194
Waste Minimisation	374	0	0	-139	235
Libraries Book Fund	117	0	0	-117	0
Woodhouse Mill Nature Reserve	40	0	0	-24	16
Commutation Adjustment	15,626	0	0	1,054	16,680
Total - Earmarked	21,501	-3,801	0	2,117	19,817
Ring-fenced					
Asylum Seekers	667	0	0	-181	486
Housing Revenue Account	3,739	138	2,393	0	6,270
Housing (Major Repairs Reserve)	812	0	0	-54	758
Schools' Declared Savings	1,606	0	0	-40	1,566
PFI - Schools	0	0	0	9,989	9,989
Total - Ring-Fenced	6,824	138	2,393	9,714	19,069
Total - excluding General Fund	31,616	-3,569	2,393	11,658	42,098
TOTAL RESERVES	42,057	-180	346	11,658	53,881

* The sum of £3,111,000 relating to the cumulative underspending on school delegated budgets is earmarked for use by those schools and cannot be used for any other purpose.

The following brief descriptions relate to Reserves not described elsewhere: -

(a) Trading

(i) Stores Surplus/Deficiency

Set up with the specific aim of recording stock losses/gains generated within a financial year through price changes and also used with the specific aim of recording obsolete stock write offs. The reserve was established during a period of high inflation when the value of stocks was increasing significantly year on year. Such increases were effectively the result of a windfall. This reserve was closed on 31st March 2005 and the balance transferred to the General Fund.

(ii) Building Works Apprentice Training

This reserve was set up with the specific aim of providing apprentices with practical training on new buildings without creating any additional costs to client departments. This reserve was closed on 31st March 2005 and the balance transferred to the General Fund.

(iii) Building Works IT Initiatives

This reserve was established to finance costs of planned IT developments that related specifically to the Building Works Trading Organisation. This reserve was closed on 31st March 2005 and the balance transferred to the Corporate IT Fund.

(iv) Renewal and Repairs Funds

These reserves, relating to a variety of services, were created principally to defray the replacement cost of vehicles, plant and equipment. These reserves were closed on 31st March 2005 with £98,000 being transferred to the Maintenance of Buildings reserve and £38,000 being transferred to the General Fund.

(v) Market Funds - Advertising

Used to defray the cost of advertising Rotherham Markets Complex which is currently not budgeted for because of unpredictable nature of campaigns. Contributions are derived from Market revenue budget.

(vi) Market Funds - Compactors

Used to defray the cost of replacement compactors.

(vii) Insurance

That part classified as a Reserve (as distinct from a Provision - see Note 8) is earmarked to meet future potential and contingent liabilities. The Council has agreed to the use of part of this Reserve element to fund specific initiatives on a repayable with interest basis, operating along the same lines as the Infrastructure Maintenance Fund.

These arrangements will be operated prudently so as to ensure that there will be sufficient resources available at all times to meet future potential commitments.

The balance showing in the accounts as a reserve is net of any such advances outstanding.

(b) Repayable

(i) Capital Fund

This reserve was set up to fund purchases of small items of equipment, works and similar expenditure that will have a short revenue payback period. It is used to advance monies to spending services on a loan repayable with interest basis to regenerate a resource for funding further expenditure.

(ii) Infrastructure Maintenance Fund

This reserve was established to operate along the same lines as the Capital Fund, but in circumstances where no asset is created on the Authority's Asset Register as a result of incurring the "capital" expenditure.

(iii) Energy Conservation

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. These repayments will generate resources for further investment.

(iv) Invest to Save

Established from balances on Capital Fund, IMF and Energy Conservation Fund to fund other initiatives to deliver on-going savings.

(c) Other Earmarked

(i) Library, Museum and Arts

These reserves were created principally for the Rotherham Museum to enable the purchase of exhibits that come onto the market on an irregular basis.

(ii) Cemeteries & Crematorium Renewal & Repairs

This reserve was created to defray the cost of replacement or repairs to the cremators and other assets which cannot readily be met out of approved General Fund budgets. This reserve was closed on 31st March 2005 and the balance transferred to the General Fund.

(iii) Rating Revaluation Refunds

This reserve reflects refunds accruing to the Council for years prior to 2004/2005 arising out of appeals against the Rateable Values set for Council General Fund properties in the 1995 and 2000 Revaluations. Refunds relating to the financial year in which they are received, together with the ongoing savings are credited to the relevant Service budget.

(iv) Corporate IT Fund

This reserve was set up to defray the costs of strategic IT development. Its principal use at the present time is to deliver E-Government priorities and strategic IT.

(v) CERB (Community Regeneration)

Set up to support and pump prime community/voluntary sector initiatives. This reserve was closed on 31st March 2005 and the balance transferred to the General Fund.

(vi) CERB (Economic Regeneration)

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) Statutory Costs

Used for any extraordinary legal costs not covered within the revenue budget.

(ix) Winter Conditions

Set up to alleviate the costs of winter maintenance activities associated with the impact of severe winter weather conditions.

(x) Vehicle Renewals Fund

This reserve was set up to defray expenditure for the annual renewal of vehicles for all services with the exception of the Building Works Trading Organisation which has its own Renewal and Repairs Fund for the purpose. This reserve was closed on 31st March 2005.

(xi) 53 Week Year Fund

This reserve was set up to ensure that resources are available to meet the additional costs to be incurred in those financial years in which 53 weeks wages and other costs are paid. The next 53 week year will occur in 2006/2007.

(xii) Property Asset Bank

This reserve was set up to defray the costs associated with securing, maintaining and ultimately marketing an asset for future use or sale. De-minimis sales contribute to the Property Asset Bank. Major asset sales contribute towards the capital programme.

(xiii) Managed Workspace R&R

This reserve was created to defray the replacement cost of vehicles, plant and equipment in managed workspaces.

(xiv) Education Staff Absences (Schools Insurances)

The Authority continues to operate a system of internal insurance within its Education Service whereby schools can, in return for the payment of a premium, insure themselves against the cost of certain staff absences. The excess of premiums received as against sums paid out is shown in the accounts as a reserve.

(xv) Objective One

Set up to even out the year on year demand on the Objective One Levy (contribution) budget.

(xvi) Waste Minimisation

This reserve was created to defray expenditure on Borough-wide waste reduction initiatives.

(xvii) Libraries Book Fund

This reserve was set up to defray expenditure on the renewal of library books.

(xviii) Woodhouse Mill Nature Reserve

This reserve was set up to defray expenditure on initiatives to maintain and improve the nature reserve.

(xix) Commutation Adjustment

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

(d) Ring-fenced

(i) Asylum Seekers

This is a reserve set up to accommodate the way in which the grant income is received. The project is front loaded with grant higher in earlier years then trailing off in later years. Annual expenditure is relatively constant and thus the excess of income over expenditure in these early years is set aside to cover the years when expenditure is greater than income. At the end of the scheme it is anticipated this reserve will have been used up.

(ii) Housing Major Repairs Allowance

Allocation from Government held pending application to carry out major repairs on Council housing.

(iii) 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.

(iv) PFI Schools

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

Note 18. Statement of Total Movement in Reserves

2003/2004 £000		2004/2005 £000
-892	Surplus (+)/deficit (-) for the year:	
2,526	General Fund	-2,047
	Housing Revenue Account	2,531
-1,520	Add back Movements on specific revenue reserves	10,783
-3,797	Deduct appropriation from pensions reserve	-5,417
43,749	Actuarial gains and losses relating to pensions (note vi)	-99,586
40,066	Total increase (+)/decrease (-) in revenue resources (note i)	-93,736
-1,654	Increase (+)/decrease (-) in useable capital receipts	3,177
1,726	Increase (+)/decrease (-) in unapplied capital grants and contributions	2,061
72	Total increase (+)/decrease (-) in realised capital resources (note ii)	5,238
145,088	Gains (+)/losses (-) on revaluation of fixed assets	396,275
-35,183	Amounts written off for capital expenditure which does not enhance asset values	670
0	Impairment losses on fixed assets due to general changes in prices	0
109,905	Total increase (+)/decrease (-) in unrealised value of fixed assets (note iii)	396,945
-35,034	Value of assets sold, disposed of or decommissioned (note iv)	-89,023
<u>33,000</u>	Capital receipts set aside	12,302
-20,831	Revenue resources set aside	-18,014
13,772	Movement on Government Grants	22,350
15,021	Movement on Major Repairs Reserve	11,140
40,962	Total increase (+)/decrease (-) in amounts set aside to capital investments (note v)	27,778
-213	Movement on Deferred Capital Receipts	-128
155,758	Total recognised gains and losses	247,074

The 2003/2004 figures disclosed above have, where appropriate, been amended to ensure comparisons with 2004/2005 are valid.

Notes to the Statement in Total Movements on Reserves

Note (i). Movement in Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Earmarked Revenue Reserves £000	Pensions Reserve £000
Surplus (+)/deficit (-) for 2004/2005	-2,047	2,531	-	-	-
Transfers in (+)/out (-) in the year	3,389	-	-1,223	-3,707	-
Appropriations to (+)/from (-) revenue	-	-	666	11,658	-5,417
Actuarial gains and losses relating to pensions	-	-	-	-	-99,586
	1,342	2,531	-557	7,951	-105,003
Balance brought forward at 1 April 2004	10,441	3,739	2,888	27,877	-105,509
Balance carried forward at 31 March 2005	11,783	6,270	2,331	35,828	-210,512

Reserves are amounts set aside for purposes which fall outside the definition of provisions. Contributions to reserves have generally arisen out of surpluses on the Council's trading accounts and underspendings on services. These can be spent or earmarked for specific purposes as determined by the Council. The purposes and extent of reserves held by the Council are detailed in note 17 to the Consolidated Balance Sheet.

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2005. Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in note 19 to the Consolidated Balance Sheet.

Note (ii). Movements in realised capital resources

	Useable Capital Receipts £000	Unapplied Capital Grants & Contributions £000
Amounts receivable in 2004/2005	15,479	27,844
Amounts applied to finance new capital investment in 2004/2005	-12,302	-25,783
Total increase (+)/decrease (-) in realised capital resources in 2004/2005	3,177	2,061
Balance brought forward at 1 April 2004	2,199	4,332
Balance carried forward at 31 March 2005	5,376	6,393

Useable Capital Receipts represent the proportion of the income from the sale of fixed assets that can be used to fund capital expenditure. The Council is required to set aside a percentage of certain receipts as a provision to repay debt. This mainly relates to the sale of council dwellings.

Unapplied Capital Grants and Contributions relate to sums received to fund the capital expenditure. The main item being the Major Repairs Reserve.

Note (iii). Movements in unrealised value of fixed assets

	Fixed Asset Restatement Account £000
Gains (+)/losses (-) on revaluation of fixed assets in 2004/2005	396,275
Impairment losses on fixed assets due to general changes in prices in 2004/2005	0
Amounts written off for capital expenditure which does not enhance the asset values 2004/2005 - prior year adjustment	670
Total increase (+)/decrease (-) in unrealised capital resources in 2004/2005	396,945
Note (iv) Value of assets sold, disposed of or decommissioned	
Amounts written off for deferred liability (Metropolitan Debt)	454
Amounts written off fixed asset balances for disposals in 2004/2005	-89,477
Total movement on reserve in 2004/2005	307,922
Balance brought forward at 1 April 2004	475,206
Balance carried forward at 31 March 2005	783,128

The Fixed Asset Restatement Account represents the difference between the initial revaluation of assets and their historic values, together with the effects of subsequent revaluations. It also includes the write down for asset disposals and capital expenditure written off.

Note (v). Movements in amounts set aside to finance capital investment

	Capital Financing Account £000	Government Grants Deferred £000	Total £000
Capital receipts set aside in 2004/2005			
- reserved receipts	0	0	
- useable receipts applied	12,302	0	
Total capital receipts set aside in 2004/2005	12,302	0	12,302
Revenue resources set aside in 2004/2005			
- capital expenditure financed from revenue	1,159	0	
- capital expenditure financed from reserves	24	0	
- reconciling amounts for provisions of loan repayments	-19,197	0	
Total revenue resources set aside in 2004/2005	-18,014	0	-18,014
Grants applied to capital investment in 2004/2005	19,849	5,932	
Major Repairs Reserve applied	11,140	0	
Amounts credited to the asset management revenue account in 2004/2005	0	-1,080	
Amount written out in year	-2,351	0	
Movement on Government Grants Deferred	28,638	4,852	33,490
Total increase (+)/decrease (-) in amounts set aside to finance capital investment			27,778
Total movement on reserve in 2004/2005	22,926	4,852	
Balance brought forward at 1 April 2004	134,526	36,454	
Balance carried forward at 31 March 2005	157,452	41,306	

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, together with the amounts of revenue, useable capital receipts and contributions which have been used to fund capital expenditure.

The Government Grants Deferred Account represents amounts received to fund capital expenditure, which will be released to offset depreciation in respect of the fixed assets to which they relate.

Note (vi). Actuarial gains and losses relating to pensions

The actuarial gains and losses identified as movements on the Pensions Reserve in 2004/2005 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

2003/2004			2004/2005	
£000	%		£000	%
43,749	12.0	Difference between the expected and actual return on assets	21,124	5.1
0	0.0	Difference between actuarial assumptions about liabilities and actual experience	-12,675	2.0
0	0.0	Changes in the demographic and financial assumptions used to estimate liabilities	-108,035	17.4
43,749	9.3	Net Gain (+)/Loss (-)	-99,586	16.0

Note 19. Pensions**(a) Teachers**

With regard to the Teachers' Pensions Scheme, there were no contributions remaining payable at the year-end.

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

The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

(b) Local Government Employees

Note 5 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority).

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

2003/2004		2004/2005
£m		£m
-471.6	Estimated Liabilities in Scheme	-622.0
366.1	Estimated Assets in Scheme	411.5
-105.5	Net Asset (+)/Liability (-)	-210.5

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £210,500,000 has a substantial impact on the net worth of the Authority as recorded in the Consolidated Balance Sheet, resulting in a positive overall balance of £840,291,000. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund's liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2004.

The main assumptions used in their calculations have been:-

2003/2004			2004/2005	
Start of Year	End of Year		Start of Year	End of Year
2.5%	2.8%	Rate of Inflation	2.8%	2.9%
4.0%	4.3%	Rate of Increase in Salaries	4.3%	4.65%
2.5%	2.8%	Rate of Increase in Pensions	2.8%	2.9%
6.0%	6.3%	Rate for discounting Scheme Liabilities	6.3%	5.4%

Assets in the South Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:-

Rate of Return on Assets

2003/2004			2004/2005	
Start of Year	End of Year		Start of Year	End of Year
7.5%	7.5%	Equities	7.5%	7.5%
4.5%	4.7%	Government Bonds	4.7%	4.7%
5.4%	5.5%	Bonds	5.5%	5.4%
6.5%	6.5%	Property	6.5%	6.5%
3.75%	4.0%	Other	4.0%	4.8%

Proportion of Assets Held by the Fund

2003/2004			2004/2005	
Start of Year	End of Year		Start of Year	End of Year
59.2%	63.6%	Equities	63.6%	62.8%
18.1%	17.1%	Government Bonds	17.1%	18.2%
7.2%	6.2%	Bonds	6.2%	6.7%
12.5%	9.9%	Property	9.9%	10.4%
3.0%	3.2%	Other	3.2%	1.9%

Analysis of the Market Value of Assets as at 31 March 2005

2003/2004 £m		2004/2005 £m
232.8	Equities	258.4
62.6	Government Bonds	74.9
22.7	Bonds	27.5
36.3	Property	42.8
11.7	Other	7.9
366.1	Total	411.5

The movement in the net pension liability for the year ended 31 March 2005 is as follows:-

2003/2004 £m		2004/2005 £m
-145.5	Net Pension Liability as at 1 April	-105.5
	Movement in the Year:	
-13.7	Current Service Cost	-18.8
18	Employer Contributions	19.1
-1.2	Past Service Cost/Curtailment Cost	-0.6
-6.9	Net Interest/Return on Assets	-5.1
43.8	Actuarial Gain (+) or Loss (-)	-99.6
-105.5	Net Pension Liability as at 31 March	-210.5

Note:- Compensatory Added Years' benefits which are recharged to the employer have been included in the liabilities figure for the purpose of FRS 17 calculations.

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 20. Group Accounts

The SORP 2004 has modified the Group Accounting requirements placed on the Council. The changes require the Council to consider all its interests, including those in other local authorities and similar bodies, and prepare a full set of group financial statements where interests in subsidiaries, associates and joint ventures are considered material.

The SORP permits the use of transitional arrangements for 2004/2005 where an authority has found it impossible to fully implement the new requirements, however full compliance is required for the 2005/06 Statement of Accounts. The transitional arrangements leave the same requirements in place as were contained in the SORP 2003.

This disclosure has been prepared using the transitional arrangements, however the Council has taken the opportunity to review its relationships and to categorise them in line with current guidance. This review has resulted in one company, RBT (Connect) Ltd, being identified as an associate of the Council. Currently available financial details are disclosed below.

Associate

(i) RBT (Connect) Limited

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a joint venture company RBT (Connect) Limited. The Authority has a 19.9% share holding in the Company.

The aim of the partnership is to help the Authority to refocus and revitalise its method of service delivery to its customers and to help support the high level of investment required. At present the Partnership covers the provision of ICT, Rotherham Connect, Revenues and Benefits, Procurement and the Human Resources and Payroll service.

At the time of publication of this Statement, audited accounts for the company for the year ending 31 March 2005 were unavailable. The figures below for the year ending 31 March 2005 are based on the company's latest draft statement.

31 March 2004 £000		31 March 2005 £000
18,297	Turnover	25,249
0	Profit before taxation	0
0	Profit after taxation	0
10	Net assets	10

During the financial year RBT (Connect) Limited provided services worth £25.068m to the Council, £14.404m of which was due under the terms of the partnership contract. At the 31 March 2005 a sum of £566,720 was payable by RBT (Connect) Ltd to the Council and £4,242,626 was owed from the Council to RBT (Connect) Ltd.

Minority Interest

The Council has concluded that the following companies are minority interest companies not being associate companies for group account purposes, nor regulated in accordance with the Local Authorities (Companies) Order 1995.

(i) BDR Waste Disposal Ltd.

The company was set up under the Environmental Protection Act 1990 for the purpose of carrying out waste disposal work and civic amenity site management. Its ultimate parent company is Cholet Acquisitions Limited.

Authorised Share Capital	£2.213 million
Issued and fully paid	£1.850 million

Council's Shareholding: -

- a) For voting purposes – the Council owns one-third of the company's 'A' shares (costing £6.66) which collectively comprise 20% of its total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% 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.

At the time of publication of this Statement accounts for the company for the year ending 31 December 2004 were unavailable and the details shown below, extracted from the company's draft statement for the year ending 31 December 2003, are the most up to date available.

31 December 2003 £000		31 December 2004 £000
14,082	Turnover	See note above
-1,918	Profit (+)/loss(-) before taxation	
-1,254	Profit (+)/loss(-) before taxation	
6,626	Net Assets	

Any distribution of dividends for 2004 including any receipts by Rotherham Metropolitan Borough Council are currently undeclared (2003 – Nil).

During the financial year ended 31 December 2003, the company provided waste disposal services to the Authority to the value of £3.989 million (2002 - £2.479 million).

A copy of the accounts of the company may be obtained from Mr. A. Waterhouse, 3 Sidings Court, White Rose Way, Doncaster DN4 5NU.

(ii) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004 and their first Statement of Accounts will be for the period ended 31 December 2005. Its principal activities are enhancing the accommodation and facilities available in school premises, and promoting the community use of those facilities.

The company is comprised of three members, Rotherham MBC, Transform Schools (Rotherham) Ltd and Rotherham Primary Care Trust.

No contributions to running costs were made by Rotherham MBC to Building Learning Communities Ltd during the financial year ended 31 March 2005.

(iii) Connexions South Yorkshire Ltd

Connexions South Yorkshire Ltd was incorporated on 29 March 2001, its principal activity being contracting for delivery of advice to 13-19 year olds. The company was not permitted, through its agreements with various funding bodies, to make surpluses on its income and therefore operated on a break-even basis, cash retained from one year to the next being owed to the funding bodies until expended.

The company comprised eight members, they being the four Local Authorities in South Yorkshire, the Learning Skills Council, South Yorkshire Forum, Lifetime Barnsley Doncaster and Rotherham Ltd and Sheffield Future. Rotherham MBC holds one place on an 18 strong Board of Directors, and with a one member one vote policy this gave Rotherham MBC 5.6% of the voting rights.

On 23 March 2005 the Council agreed to the winding up of Connexions South Yorkshire Ltd and of the transfer of the Connexions Service into Rotherham MBC from the 1 April 2005. The Council also agreed that Rotherham MBC should become the host body for Connexions in South Yorkshire from that date.

At the time of publication of this Statement accounts for the company for the year ended 31 March 2005 were unavailable and the details below are the most up to date available.

31 March 2004 £		31 March 2005 £
14,096,751	Income	
28,465	Surplus for the year	See note above
139,004	Net Assets	

Rotherham MBC did not make a contribution to the running costs of this company during 2004/05 (2003/04 – Nil).

A copy of the accounts can be obtained from 1 Arena Link 1st Floor, Broughton Lane, Sheffield, S9 2DD

(iv) Creswell Groundwork Trust

Creswell Groundwork Trust is a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Derbyshire County Council, Bolsover District Council, Bassetlaw District Council 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 ended 31 March 2005 were unavailable and the details below are the most up to date available.

31 March 2004 £		31 March 2005 £
2,934,965	Turnover	
52,052	Surplus (+)/Deficit (-) for the year	See note above
979,577	Net Assets	

Rotherham Borough Council's contribution to the company during 2004/05 was nil (2003/04 - nil).

Creswell Groundwork Trust provided services to the Authority to the value of £8,401 (2003/04 - £67,975).

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

(v) Groundwork Dearne Valley

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 at least eight directors with the Council able to nominate one.

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 audited accounts for the company for the year ended 31 March 2005 were unavailable. The draft accounts for the year ended 31 March 2005 disclosed the following:

31 March 2004 £		31 March 2005 £
2,339,633	Turnover	2,730,604
72,768	Surplus (+)/Deficit (-) for the year	1,273
488,990	Net Assets	288,517

Rotherham Borough Council's contribution to the company during 2004/05 was £60,000 (2003/04 - £60,000).

Groundwork Dearne Valley Limited continued to receive payroll services from the Authority during 2004/05 and provided services to the Authority to the value of £119,024 in the year.

A copy of the accounts of the company may be obtained from the Borough Secretary's Office, Barnsley MBC, Town Hall, Barnsley S70 2AQ.

(vi) 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 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 ended 31 March 2005 were unavailable and the details below are the most up to date available.

31 March 2004 £		31 March 2005 £
2,654,461	Turnover	
-2,679,697	Surplus (+)/Deficit (-) for the year	See note above
28,337,098	Net Assets	

During the financial year ended 31 March 2005, the company provided services to the Authority to the value of £114,523. A loan for £70,000, issued to Magna Trust in 2003/04, was still outstanding as at 31 March 2005.

A copy of the accounts of the company may be obtained from the Mr D M Ellis, Magna Project Office, Sheffield Road, Templeborough, Rotherham, S60 1DX.

(vii) 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 has been reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company.

The mission of the company includes: 'To provide high quality learning experiences for adults who have had little or no opportunity for education and training.'

At the time of publication of this Statement accounts for the company for the year ending 31 July 2004 were unavailable and the details shown below are the most up to date available.

31 July 2003 £		31 July 2004 £
4,796,095	Income	
134,658	Surplus for the year	See note above
2,129,248	Net Assets	

Rotherham MBC did not make a contribution to the running costs of this company during 2004/05 (2003/04 – Nil).

During the financial year ended 31 March 2005, the company provided services to the Authority to the value of £94,998.

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.

(viii) Phoenix Enterprises (Rotherham) Ltd

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

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

At the time of publication of this Statement audited accounts for the company for the year ended 31 March 2005 were unavailable. The draft accounts for the year ended 31 March 2005 disclosed the following:

31 March 2004 £		31 March 2005 £
6,025,574	Turnover	4,937,290
172,926	Profit before taxation	136,237
168,490	Profit after taxation	136,237
935,111	Net Assets	1,071,348

Rotherham Borough Council's grants and contribution to the company during 2004/05 was £405,073 (2003/04 - Nil).

A copy of the accounts of the company may be obtained from the company at Second Floor, All Saints Building, Corporation Street, Rotherham.

(ix) Renaissance South Yorkshire Ltd

Renaissance South Yorkshire Ltd was incorporated on 15 April 2004 and is a company limited by guarantee. The members of the company are the four South Yorkshire Authorities and Yorkshire Forward. The company has responsibility for a delivery framework for South Yorkshire and directly manages relevant flagship projects to promote the economic and environmental well being of the South Yorkshire sub-region.

At the time of publication of this Statement accounts for the company for the year ending 31 March 2005 were unavailable.

Rotherham MBC did not make a contribution to the running costs of this company during 2004/05.

A copy of the accounts of the company may be obtained from Renaissance House, Adwick Park, Wath-upon-Deerne, Rotherham, S63 5NB.

(x) Rotherham Engineering and Computing Technology (REACT) Centre

REACT Centre Limited is a private company limited by guarantee with three members; Rotherham Chamber of Commerce, UK Steel Enterprise Ltd and Rotherham Metropolitan Borough Council.

The principal activity of the company is the "provision of facilities and services to assist commerce, manufacturing and service industries in Rotherham and the surrounding region".

The financial objective of the company is to break-even through a mixture of grants, revenue generation and partner subsidy. Rotherham MBC did not make a contribution to the running costs of the company in 2004/05 (2003/04 - Nil).

31 December 2003 £		31 December 2004 £
1,344,822	Turnover	1,752,348
-110,859	Profit (+)/loss (-) before taxation	-200,861
-89,305	Profit (+)/loss (-) after taxation	-201,420
284,382	Net Assets	82,962

A copy of the accounts of the company may be obtained from Reresby House, Bow Bridge Close, Templeborough, Rotherham S60 1BY.

(xi) Rotherham Crime Reduction Programme Trust Ltd.

The objective of this company is to "promote the reduction of crime and the fear of crime in the Metropolitan Borough of Rotherham and its immediate environs".

Rotherham Crime Reduction Programme Trust Ltd. is a company limited by guarantee and is a registered charity. It has five members: - South Yorkshire Police, South Yorkshire Probation Service, Rotherham Chamber of Commerce (replacing RCCTE), Victim Support Rotherham and Rotherham Metropolitan Borough Council.

At the time of publication of this Statement accounts for the company for the year ending 31 March 2005 were unavailable and the details shown below are the most up to date available.

31 March 2004 £		31 March 2005 £
719,940	Turnover	See note above
10,603	Surplus for the year	
223,222	Net Assets	

Rotherham MBC made a contribution of £71,650 to the business during 2004/05 (2003/04 - £71,650).

A copy of the accounts of the company may be obtained from St. Stephen's House, St. Leonard's Road, Eastwood, Rotherham S65 1PA.

(xii) Rotherham Housing Partnership Ltd.

Authorised Share Capital £100.

Council's Shareholding - Nominal Value £19. ("A" Class shares).

This company is a joint venture between the Council and Keepmoat Holdings, a public limited company. "Keepmoat" is a holding company of six local construction companies. The purpose of the joint venture is to create new developments throughout the Borough of high quality, affordable homes.

The profits of Rotherham Housing Partnership Ltd. are distributed equally amongst the partners. The company has not traded during the year and is not anticipated to do so in the foreseeable future. No dividend was paid in 2004/05 (2003/04 - nil).

At the time of publication of this Statement accounts for the company for the year ending 31 March 2005 were unavailable and the details shown below are the most up to date available.

31 March 2004 £		31 March 2005 £
Nil	Turnover	See note above
Nil	Profit before taxation	
Nil	Profit after taxation	
189	Net Assets	

A copy of the accounts of the company may be obtained from Rotherham Housing Partnership Ltd, Norfolk House, Walker Place, Rotherham S60 1QT.

(xiii) YHGFL Foundation

YHGFL Foundation was incorporated on 9 December 2002 and 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, NE Lincolnshire Council, N Lincolnshire Council, North Yorkshire County Council, Sheffield CC, Wakefield City MDC.

At the time of publication of this Statement accounts for the company for the year ending 31 March 2005 were unavailable and the details shown below are the most up to date available.

31 March 2004 £		31 March 2005 £
1,765,304	Turnover	See note above
44,328	Profit before taxation	
43,143	Profit after taxation	
43,143	Net Assets	

Rotherham MBC did not make a contribution to the running costs of this company during 2004/05.

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.

Note 21. Post Balance Sheet Events

The Authority is required to disclose under the principles of SSAP 17 Accounting for Post Balance Sheet Events any material adjustment or substitution which would alter any estimate or reflect a permanent impairment or betterment to the authority's financial position. The authority does not have any disclosures to this effect.

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.

2003/2004 £000	<u>Capital Account</u>	2004/2005 £000
12,234	Cash Overdrawn 1 April	12,207
2,500	Add: Expenditure in the year - Loans repaid	0
14,734		12,207
	Less income:	
0	Loans raised	0
2,527	Repayments by Relevant Authorities	2,780
12,207	Cash Overdrawn 31 March	9,427

2003/2004 £000	<u>Revenue Account</u>	2004/2005 £000
7,481	Interest Paid on Outstanding Loans	7,359
301	Management and other expenses	299
7,782		7,658
7,782	Less: Recharged to Relevant Authorities	7,658
0		0

2003/2004 £000	<u>Balance Sheet as at 31 March</u>	2004/2005 £000
	Capital Liabilities	
100,500	Loans Outstanding	100,500
12,207	Cash Overdrawn	9,427
112,707		109,927
	Capital Assets	
112,707	Advances Outstanding	109,927
112,707		109,927

Notes to the Metropolitan Debt Administration Accounts and Balance Sheet

Note 1. Leasing Fund

The Council also operates a Leasing Fund, functioning on a similar basis, where all costs are fully recharged to the constituent authorities. The total cost of all transactions in 2004/2005 amounted to £431 (£2,424 in 2003/2004).

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2005

2003/2004			2004/2005	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows:		
263,680		Cash paid to and on behalf of employees	277,955	
204,009		Other Operating Costs	229,157	
14,500		Housing Benefit paid out	14,811	
45,822		National non-domestic rate payments to pool	46,463	
11,794		Precepts paid	12,963	
0	539,805	Payments to Capital Receipts Pool	18,533	599,357
		Cash Inflows:		
-22,700		Rents (after rebates)	-21,078	
-67,353		Council Tax Income	-70,402	
-72,710		National non-domestic rates receipts from pool	-69,688	
-42,808		National non-domestic rate income	-45,368	
-139,176		Revenue Support Grant	-153,594	
-31,862		DWP Housing Benefit Grant	-32,264	
-104,410		Other Government Grants	-117,626	
-74,799		Cash received for Goods and Services	-90,572	
-19,575	-575,393	Other Operating Cash Receipts	-19,675	-620,267
		SERVICING OF FINANCE		
		Cash Outflows:		
12,320	12,320	Interest Paid	12,355	12,355
		Cash Inflows:		
-1,505	-1,505	Interest Received	-2,644	-2,644
	-24,773	Net Revenue Cash Outflow (+)/Inflow (-)		-11,199
		CAPITAL ACTIVITIES		
		Cash Outflows:		
57,000		Purchase of Fixed Assets	70,796	
0	57,000	Purchase of Long Term Investments	6,100	76,896
		Cash Inflows:		
-31,417		Sale of Fixed Assets	-33,883	
-14,727		Capital Grants Received	-17,212	
-1,232	-47,376	Other Capital Income	-8,043	-59,138
	-15,149	Net Cash Outflow (+)/Inflow (-) Before Financing		6,559
		MANAGEMENT OF LIQUID RESOURCES		
9,208		Net increase/decrease in short term deposits	-10,707	
0	9,208	Net increase/decrease in other liquid resources	0	-10,707
		FINANCING		
		Cash Outflows:		
86,474	86,474	Repayments of amounts borrowed	132,629	132,629
		Cash Inflows:		
-86,128	-86,128	New Short Term Loans	-132,280	-132,280
	-5,595	Cash decrease (+)/increase (-)		-3,799

NOTES TO THE CASH FLOW STATEMENT**Note 1. Increase/Decrease in Cash**

	£000
Cash in hand as at 31 March 2005	13,025
Less Cash in hand as at 31 March 2004	9,226
Cash decrease (-)/increase (+) in 2004/2005	3,799

Note 2. Government Grants

Details relating to cash received from Government Grants are shown below:-

	£000	£000
<u>Revenue</u>		
Mandatory Student Awards	42	
Standards Fund	17,826	
Early Years & Child Care Development	1,941	
European Grants	629	
Single Regeneration Budget	3,136	
Mental Health - Children and Adults	1,121	
Promoting Independence	673	
Children's Quality Protects	47	
Housing Subsidies	29,975	
Youth Justice Board	31	
PFI	8,213	
Other	53,992	
		117,626
<u>Capital</u>		
Derelict Land Grant	794	
Housing Disabled Facilities Grant	515	
Standards Fund	6,319	
Housing Pathfinder Grant	1,704	
Single Capital Pot	3,397	
National Lottery Grant	698	
Single Regeneration Budget	1,759	
Other	2,026	
		17,212
Total		134,838

Note 3. Movement in Net Debt

	£000
Cash decrease (-)/increase (+) in 2004/2005	-3,799
Less: Net Cash Outflow (+)/Inflow (-) Before Financing	6,559
Cash decrease (+)/Increase (-) from Movement in Net Debt	-10,358
<u>Analysis of Decrease/(Increase) in Net Debt</u>	
Public Works Loans Board	349
Bonds	0
Annuities	0
Temporary Loans	0
Investments	-10,707
	-10,358
Net Debt at 1 April 2004	123,840
Less: Net Debt at 31 March 2005	134,198
Decrease (+)/Increase (-) in Net Debt	-10,358

Note 4. Reconciliation of Net Revenue Cash Flow

Elements of the cash flow statement can be reconciled to the Consolidated Revenue Account as shown below:-

	£000	£000
Deficit per Consolidated Revenue Account		2,047
<u>Items on an accrual basis:</u>		
Decrease in Stocks and Work-in-Progress	-181	
Increase in Debtors	960	
Increase in Creditors	97	
		876
<u>Other items</u>		
Minimum Revenue Provision	-3,715	
Capital Expenditure charged to Revenue	-1,159	
Decrease in Collection Fund Balance	557	
Contribution to Provisions and Reserves	-12,214	
Other non cash transactions	2,409	
		-14,122
Net Revenue cash outflow (+)/inflow (-)		-11,199

The movement on debtors and creditors has been taken directly from the consolidated balance sheet and therefore includes some capital items. A compensating adjustment has been made to the figure given for 'other non cash transactions'.

Note 5 **Liquid Resources**

These relate to the investment and borrowing of funds on a short-term basis of up to one year. The amount shown within the Statement under the heading of Management of Liquid Resources represents the difference between the opening and closing balances for Short-term Investments as shown in the Consolidated Balance Sheet.

STATEMENT OF INTERNAL CONTROL AND BROADER GOVERNANCE

1 SCOPE OF RESPONSIBILITY

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

3 THE INTERNAL CONTROL ENVIRONMENT

- 3.1 Legal Framework
- 3.2 Key Decisions and Decision Making
- 3.3 Monitoring Officer
- 3.4 Objectives and Priorities
- 3.5 Local Code of Corporate Governance and Governance Framework
- 3.6 Risk Management Framework
- 3.7 Performance Management Framework
- 3.8 Financial, Capital and Asset Management Framework
- 3.9 Capacity and Capability
- 3.10 Internal Audit Function
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5 SIGNIFICANT INTERNAL CONTROL ISSUES

- 5.1 Follow up on 2003/04 significant internal control issues
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 - 5.2.1 Financial Management
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6 LEADER AND CHIEF EXECUTIVE STATEMENT OF ASSURANCE

STATEMENT OF INTERNAL CONTROL AND BROADER GOVERNANCE

1 SCOPE OF RESPONSIBILITY

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

In discharging these responsibilities, Rotherham Metropolitan Borough Council must ensure that there is a sound system of internal control in place which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The process involves evaluating the likelihood of those risks being realised, the impact should they be realised, and the management of them efficiently, effectively and economically.

The system of internal control has been in place at Rotherham Metropolitan Borough Council during the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

3 THE INTERNAL CONTROL ENVIRONMENT

The Council's control environment encompasses the strategies, policies, plans, procedures, structures, processes, attitudes, behaviour and actions required to deliver good governance for the people of Rotherham. The key elements of good governance arrangements in Rotherham Metropolitan Borough Council are:

3.1 Legal Framework

The Council has a Constitution, which sets out how the Council operates, how decisions are made, and the legal, financial and other procedures which are followed to ensure openness, accountability and assurance to stakeholders. It includes Codes of Conduct for both Members and Officers.

Council decisions, and Members and Officers actions and behaviour are scrutinised by a Performance and Scrutiny Overview Committee, an Audit Committee and a Standards Committee.

The Standards Committee comprises Members and external people. It is cross party (two Labour, one Conservative, one Independent) and is Chaired by a non-council person.

3.2 Key Decisions and Decision Making

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

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

3.3 Monitoring Officer

The Council has designated the Head of Legal Services as Monitoring officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Head of Legal Services/Monitoring Officer monitors all papers to cabinet for legal and governance issues.

3.4 Objectives and Priorities

The Council and its partners have worked together to develop a new vision for the borough which will steer progress over the next 10 to 20 years.

The vision was drawn up using a range of information about the profile of the borough, as well as the needs and aspirations expressed by Rotherham residents, through comprehensive consultation including research and intelligence about key trends, such as those contained in the comprehensive State of the Borough : A Picture of Rotherham report produced in 2004.

In order to deliver the desired outcomes the Council has developed a Performance Management Framework that cascades from the Community Strategy, through the Corporate Plan, Service Plans, Team Plans and finally to Individual Plans.

To deliver improved quality of life and services that meet local needs, the council works with a range of partners : Local Strategic Partnership, RBT (Rotherham Brought Together), South Yorkshire Police, Private Finance (PFI) Partners, Voluntary & Community Sectors, National Health Service. On an annual basis "The Year Ahead Statement" sets out the Council's key priorities over the coming year in order to move both the Authority and Rotherham forward. This is evaluated every 6 months and at the year end and reported to Cabinet.

3.5 Local Code of Corporate Governance and Governance Framework

The Council has adopted and utilises a “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code defines good corporate governance standards in terms of:

- The Governing Body
- Management and Staff
- Dimensions of the Council’s Business
 - Community Focus
 - Service Delivery Arrangement
 - Structures & Processes
 - Risk Management & Internal Control
 - Standards of Conduct
 - Use of Resources (this was added in the 2004/05 review)
- Citizen Challenge

It can be found on the Council’s website at www.rotherham.gov.uk.

3.6 Risk Management Framework

The Council has a robust system for identifying, evaluating and managing all significant risks. All those associated with policy, planning and delivering services are engaged, mainly through facilitated risk workshops.

The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk.

The Corporate and Programme Area Risk Registers are considered and responded to by Members.

The Council benchmarks its risk management framework against those of other local authorities and the private sector.

A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.

The council considers positive risks (opportunities), such as Partnership proposals (e.g. PFI, ALMO, Breathing Space, Sheltered Housing) as well as negative risks (threats).

All service plans identify risks which Heads of Service are actively managing.

3.7 Performance Management Framework

The Performance Management Framework assists Members, senior managers and staff to understand performance management and the various components that contribute to effective performance as well as providing a corporate approach for the Council.

The framework

- Is based on key priorities and objectives and helps to measure the right things at the right time
- Is used to continually improve the services the Council delivers and the way they are delivered
- Is based on quality and accuracy of information which produces meaningful measures of how we are performing
- Enables learning from others, learning from our own experiences and mistakes and listening to customer needs
- Meets the needs of all the people and organisations that we provide performance information to.

Progress on performance is regularly reported to Members and annually to the public through the publication of the Performance Plan and regularly via the council newspaper Council matters.

The Performance Plan is a key mechanism for capturing the Council's objectives and tracking them through to performance and achievement.

3.8 Financial, Capital and Asset Management Framework

The financial management of the authority is conducted in accordance with the rules set out in the Constitution and Financial Regulations. The Council has designated the Head of Corporate Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. After consulting with the Chief Executive and the Head of Legal Services, the Head of Corporate Finance will report to the full Council or to the executive (in relation to an executive function) and the District Auditor if he considers that any proposal, decision or course of action – will involve incurring unlawful expenditure; is unlawful and is likely to cause a loss or deficiency; or will result in the Council entering an item of account unlawfully.

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

The Council is required to set a budget in line with its objectives which is both balanced and sustainable, and takes account of advice given by the Head of Corporate Finance on the appropriateness of the level of the Council's reserves following an assessment of the risks inherent within the proposed budget. Once the budget has been agreed programme areas are required to report bi-monthly to Cabinet on actual expenditure and income against budget together with an estimate of the year end position. For the final three months of the financial year the reports are produced monthly. It is the responsibility of each programme area to successfully manage and remain within the allocated budget.

The Medium Term Financial Strategy ensures that resources are allocated to the Theme priorities in the Corporate Plan.

The Capital Strategy:-

- Relates capital investment to the Corporate Plan and Medium Term Financial Strategy.
- Extends to areas where the Council is able to apply significant influence on other players through the deployment of its resources.
- Provides the policy framework for the Capital Investment Plan and Programme and the Corporate Asset Management Plan.
- Informs the revenue budgets.
- Ensures assets are fully considered in the Council's plans.

Asset Management planning optimises the utilisation of assets in terms of service benefits and financial return. The Asset Management Strategy aims to ensure that:

- All "Rotherham's" assets are maximised to transform the Vision into Reality
- All assets are managed as corporate resources
- Assets are used efficiently and effectively and in a sustainable manner
- The opportunity cost of assets is minimised and the value of Council assets is protected
- Expenditure on assets maximise value for money
- The use of assets contributes to the process of service improvement
- Innovative solutions are developed to meet service needs
- An explicit, co-ordinated approach to asset management is implemented across the authority, reflecting service needs as determined by consultations with stakeholders
- The return on investment and surplus assets is maximised in an appropriate manner to meet financial requirements.

3.9 Capacity and Capability

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme. Individuals targets are defined from service and team plans. The Council has a Whistle-blowing Policy for staff.

3.10 Internal Audit Function

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

Internal Audit produces an annual audit plan based on the risk to the efficient and effective use of Council resources and systems. Such risks may include potential for loss due to fraud and irregularity or alternatively failings in the integrity of data, accounting information and processes upon which Council decisions are based. Risk Registers also inform Internal Audit's annual plan.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan which is approved by the Audit Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and service manager, with a copy going to the Chief Executive. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The process includes reviews of recommendations to ensure that they are acted upon.

The Audit Manager's 2004/05 year end report said there were no responses outstanding or any giving cause for concern.

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

3.11 External Audit and Statutory Inspection

Each year an Audit and Inspection Plan is produced by the Audit Commission. The plan sets out the audit work that the Audit Commission, in its inspection role and as appointed auditors to the Authority, propose to undertake. The plan is drawn up from the Audit Commission's risk based approach to audit planning and reflects:

-
- The Council's Comprehensive Performance Assessment (CPA) status
- The Council's local risks and improvement priorities
- National risks relevant to local communities

The Council has an objective and professional relationship with external audit and statutory inspectors as evidenced by the Annual Audit Letter.

3.12 Corporate Governance Group

A Corporate Governance Officer and Cabinet Member Group was set up in summer 2004 to:

- Review and develop the Council's Code of Corporate Governance
- Performance Manage the corporate governance action plan produced in response to an 2004 Audit Commission inspection
- Identify the key items for Heads of Service, Corporate Management Team and Members that must be addressed
- Develop a programme of work for 2005/6 – to ensure continuous improvement
- Produce the Statement of Internal Control (SIC) for 2004/05
- Strengthen corporate governance practice across the Council and ensure a culture of governance is embedded

The group also considers Strategic Risk Management issues.

The Audit Commission reviews the Council's Corporate Governance arrangements.

3.13 Communications and Marketing

Rotherham currently spends over £0.5million yearly on marketing and communications across Programme Areas. A corporate team focuses on media relations and production of the Council's community newspaper. A graphic design team works on corporate identity, brand management, livery and signage. These activities are supported by additional staff in Programme Areas.

3.14 Information Governance

Procedures are in place to ensure compliance with the Data Protection Act 1998 and Article 8 of the Human Rights Act and to ensure a good standard of Information Security.

Procedures are in place to ensure compliance with the Freedom of Information Act 2000.

3.15 Complaints

The Council has an approved Complaints Policy, endorsed by the Standards Committee. The Policy meets best practice and was submitted to Ombudsman for comment. There are leaflets/posters in main reception areas and the policy and complaint form are available on the website and Intranet.

4 REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

During 2004/05 full scale reviews have been undertaken of all key areas; Financial Management, Capital and Asset Management, Risk Management, Performance Management, Internal Audit, the Constitution, Local Code of Corporate Governance, Community Strategy, Corporate Plan Objectives and Priorities, Communications and Marketing Strategy, Member Development.

Details of these reviews of the effectiveness of the systems of internal control are outlined below:

4.1 Corporate Governance Review using the SIC Database (including testing the effectiveness of the revised Local Code of Corporate Governance)

For 2004/05, a Full Corporate Governance Assessment utilising a newly acquired Database Package has been undertaken. The database follows the CIPFA's SIC Rough Guide for Practitioners i.e. the eight objectives that enable a council to review its Internal Control arrangements and gather assurance evidence.

Within the eight objectives are sixty five elements, each requiring several pieces of detailed evidence. This evidence has been captured on the database to demonstrate compliance and to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

Each of the 65 elements has been scored using the following criteria:

- | | | |
|-----------------------|-------|-----|
| • Evidence Not Met | Score | NIL |
| • Evidence Partly Met | Score | 50 |
| • Evidence Fully Met | Score | 100 |

The database has been populated with evidence from Minutes, Reports, Publications, etc together with:

- Statements Of Assurance from Cabinet Members regarding:
 - Purpose and Outcomes
 - Functions and Roles
 - Values and Behaviours
 - Decision Making and Managing Risk
 - Capacity and Capability
 - Engagement and Accountability (to reflect the January 2005 Langlands Paper on Good Governance Standards in Public Services)

- Statements Of Assurance from Executive Directors regarding:
 - Policies
 - Objectives
 - Risk Management
 - Financial Management – Stewardship
 - Financial Management – Performance
 - Financial Management – Transformation

(the latter three to reflect the elevated importance of Financial Management in the 2005 CPA Use of Resources scoring mechanism).

- Results of Risk Management Survey for all Members and staff at Principal Officer level and above, regarding awareness and understanding of:
 - Corporate Policies
 - Department Policies
 - Risk Policy and Strategy
 - Risk Identification
 - Risk Evaluation
 - Risk Prioritisation
 - Risk Treatment
 - Service Continuity Planning
 - Risk Management Training
 - Audit of Risk Management
 - Reporting of Risk Management
 - Monitoring and Benchmarking

The review of effectiveness was undertaken in a three pronged approach by:

- testing the Local Code of Corporate Governance for effectiveness. This was undertaken during 2004/2005. Source documents to demonstrate compliance with each of the six dimensions of the Council's business (Community Focus, Service Delivery, Structures and Processes, Risk Management & Internal Control, Standards of Conduct and Use of Resources) were identified. Measures of effectiveness were identified (e.g. Delivered Gershon Savings, Reduction in Complaints, improved satisfaction ratings, increased Member involvement etc). Resulting performance gaps were captured in the Local Code as Improvements Planned. Responsibility for delivering the improvements were assigned to named Lead Officers with timescales for completion.
- testing the Council against the 65 elements in the SIC Database (this included the Statements of Assurance and Risk Management Survey). The database captures data produced / examined during the period 1/4/2004 up to the completion of the SIC at 30/6/05. It should be noted that the evidence required for the SIC Database largely duplicates the evidence required to test the Local Code of Corporate Governance
- testing the results of the above exercises against reports by Internal Audit, External Audit, Inspectors and other review agencies.

Detail on key areas reviewed by the Council in 2004/05 is given in 4.2 to 4.12 below.

The significant internal control issues arising are listed in section 5 below.

4.2 Policy Alignment

A new Community Strategy for Rotherham based on a new agreed vision is in place and supported by all key partners involved with the Rotherham Partnership. The Council has, in tandem with this, adopted a new Corporate Plan and Vision Statement which aligns with the Community Strategy and sets out clear aims and targets for the coming years. That plan has been used to inform service planning across the authority, so ensuring a consistency of focus throughout the organisation.

4.3 Financial Resources/Financial, Capital and Asset Management

Reserves continue to be at an acceptable level and the Council continues to benefit from a share of external funding streams, such as Neighbourhood Renewal Fund, Objective 1 finance and the Yorkshire Forward Single Investment Pot.

During 2004/05 External Audit reviewed the Council's financial management function and concluded that:

- The Council is working hard to strengthen its planning processes. Current action is likely to result in a framework which supports the improvement of financial management, thereby helping to deliver the wider improvement agenda. This action will provide the building blocks to support a robust medium-term financial strategy (MTFS).
- But that the council has not fully established effective financial planning processes which are supported by structures with the necessary

The key areas for improvement and how these are being addressed are outlined in Section 5.

The Council's Capital Strategy and Asset Management Plan, rated good by ODPM in 2003 was reviewed during 2004/05 to provide greater integration with the council's corporate planning and resource allocation processes. The improved approach was recognised as excellent practice with a Beacon Status Award for Asset Management.

4.4 Human Resources (Capacity, Workforce and Member Development)

The Council has continued to place emphasis on supporting staff to develop their skills and talents. The Council currently is accredited as meeting the Investors in People (IIP) standard and this has been subject to re-inspection in June 2005 with the results being published in August. The aim is to achieve a re-accreditation as an IIP Authority, and to continue to develop the training and employment policy framework in line with the aspiration to be recognised as a first class employer.

The Council has developed a workforce development strategy. A management development programme is now underway in conjunction with Sheffield Council.

The council rewards exceptional performance with a range of monthly and annual awards.

During 2004/05 a comprehensive Member Development Review was undertaken. As a result all members have been invited to agree a personal development plan and there has been a very high take up. The training programme for members covers:

- local government finance
- ethics and probity
- equalities
- I.T skills
- Charing Skills

4.5 Performance Management

The Performance Management Team has reviewed performance for 2004/05. The results are contained in the 2004/05 year end report of the Leader and Chief Executive published June 2005 which presents the most up to date internal review of performance against objectives. Overall, each of the sixty commitments made has been progressed. Nineteen commitments have been completed and forty-one will continue to be ongoing in the coming year and, in many cases, in the longer term.

As a result of the investments made in strengthening internal capacity, policy and performance frameworks, improvements are being seen in services. External inspection scores are improving with most services looked at in 2004/05 achieving “good” status and most with promising prospects for the future. Performance indicators continue to move upwards with a significant majority showing gains. The Council has won two national Beacon Awards in the last year (for Asset Management and Enterprise Support Services) and a national Local Government Chronicle award for Streetpride. The Council has achieved ISO 9001 and ISO 14001 for parts of the Council and four Chartermark awards for other services. Overall, in 2004/05 Rotherham MBC was ranked the 7th Most Improved Council in the Country, which is independent evidence of the gains being made.

With regard to the Government’s Gershon agenda, Rotherham has been rated the 6th best in the country by the Local Government Chronicle in terms of delivering cashable efficiency savings.

Following the establishment of a strengthened Performance and Quality team, a review was undertaken of the work of the team including preparing for inspections, quarterly reporting and data quality. A performance management framework was introduced in October 2004 which drew upon best practice, including wider reviews of benchmarking with IDeA and other authorities. Overall, data quality, reporting and direction of travel of Performance Indicators (PIs) have improved (over 65% of key indicators improved this year).

Progress on implementing recommendations arising from inspections and audits is reported to the Performance Scrutiny Overview Committee every six months. The end of year report for 2004/05 reported that good progress had been made across a number of Programme Areas. Overall, 42 out of 536 recommendations had slipped target but there had been corrective action taken on these to rectify the situation.

Continuous Improvement is also measured against a three year Corporate Improvement Plan that is aligned to CPA and local priorities, namely:

- Political Leadership and Management
- Governance Arrangements
- Consultation, Communication and Community Involvement
- Performance Management
- Workforce Development
- Operational Efficiency and Value For Money
- Quality Services

4.6 Risk Management

Each year the Corporate Governance Officer and Cabinet Member Group, the Corporate Management Team, the Cabinet and the Audit Committee reviews the Council’s Risk Management Policy Statement and Strategy. The annual review also examines performance against the previous years action plan.

Progress on implementation of the Risk Management Strategy and its links to good governance are considered by the Corporate Governance Group that meets monthly.

In 2004/05, risk registers for Corporate Management Team, Programme Areas and Service Areas have been refreshed along with partnership projects such as the PFI's, RBT and the ALMO. This has been achieved using Rotherham's tried and tested facilitated risk workshop approach for identifying, evaluating and managing risks. Risk Workshops have been found to encourage lateral as well as linear thinking.

Further training presentations have been given to Members including those with specific responsibility for risk management. These Members with specific responsibility receive regular reports on risk management as they sit on the Corporate Governance and Risk Management Group.

During 2004/05 risk management has had impact and has been embedded into strategic planning, financial planning, policy making and review and performance management.

A key test of effectiveness of risk management arrangements was the Member and Staff survey ('Strategic Diagnostic') independently undertaken by PRM Ltd which concluded that there has been a lot of work conducted with senior management and members particularly Corporate Management Team (CMT) and Cabinet and that Rotherham should be proud of what it has achieved to date on implementing risk management although there is still room for improvement:

- There is Cabinet and CMT support
- Extensive training has taken place with senior management and heads of service
- There is a risk management strategy and toolkit which are both available on the intranet
- There is a framework for including risk management in Service and Business Planning
- Key services such as Social Services and Education have had extensive roll out programmes for risk management
- Risk management is included in Performance Management and Project Management

In terms of improvements needed;

- more work needs to be conducted with management levels of £40k and below such as rolling out training on the internal tools and frameworks for embedding risk management at Service Level like service planning and performance management.
- Heads of Service need particular attention with a training programme which gives them clear tools and accountability for their own Risk Registers and rolling out Risk Management to their Services.

On benchmarking, Rotherham comes out well in the strategic diagnostic survey exercise being 19% overall ahead of the scores achieved by the other Authorities. Particularly worth noting is the significant performances in Risk Treatment, Service Continuity Planning (SCP), Reporting and Monitoring areas. Rotherham lags slightly behind in the area of communication and dissemination of departmental goals.

Notwithstanding the benchmarking results, there needs to be more Reporting and Monitoring of risk registers by Programme Areas, a point picked up by the Audit Commission on its return in June 2005 to review risk management arrangements.

4.7 Internal Audit

During 2004/05 the effectiveness of the Internal Audit function was reviewed by the Audit Commission. Of 26 recommendations which were agreed by the Authority, 14 have been implemented. Plans are in place to implement a further seven during 2005/06.

There are five remaining recommendations which are presently the subject of further discussion by Internal Audit and the Audit Commission to do with:

- the process followed and the information reported to members in the formulation and approval of an audit plan
- the documentation and reporting of formal quality reviews
- reporting the conclusions from individual audit assignments to form an opinion as to the adequacy of the internal control environment
- the use and documentation of sample testing techniques which target the areas of highest risk and materiality.

4.8 Monitoring Officer

The Head of Legal Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution has been comprehensively reviewed during 2004/05 (a minor and a major review).

Key changes include:

- revised portfolios for all Cabinet Members
- revised Executive Procedure Rules, Scheme of Delegation and Overview and Scrutiny Procedure Rules
- revised terms of reference for the Audit Committee
- revised Forward Plan expenditure limits
- revised Policy Framework
- specified responsibility for funds and balances
- references to the Freedom of Information Act and the creation of the ALMO (2010 Rotherham Ltd)
- revised Standing Orders
- revised Financial Regulations

The Constitution is updated each year.

4.9 Financial Regulations

The Council's Financial Regulations were redrafted in 2004/05 and modelled on current best practice as advised by CIPFA and tailored where necessary to reflect local circumstances. There are no significant changes to the basic principles of the existing regulations apart from amendments to acknowledge the involvement of RBT (Connect) Ltd in the financial procedures of the Council. The presentation of the regulations has changed to a three tier format, high level, medium level and guidance notes. The high level reflects the key points of the regulations at a strategic level, the medium level separately defines the relative responsibilities of the Head of Corporate Finance and other Chief Officers in applying the regulations and guidance notes are detailed instructions on specific subjects e.g. virement.

4.10 Comprehensive Performance Assessment

The Audit Commission reported that Rotherham changed from being weak in December 2003 to fair in December 2004 and in particular:

- It has made significant improvements in housing and all services affecting the quality of the local environment over the last year.
- Refuse and street care services are efficient and responsive to the needs of users and recycling facilities have improved.
- The council's hard work has resulted in the delivery of better quality housing services including repairs and maintenance although it recognises that there is still room for further improvement.
- Further attention is required to improve services to children in particular to address the educational attainment of looked after children.
- Following the appointment of a new Chief Executive the Council is improving the way it works through stronger management. It is also using partnerships more effectively to deliver its priorities including regenerating Rotherham town centre.
- Based on Rotherham MBC's current plans, the Council is now well placed to improve the way it works and the services it provides to local people.

4.11 Communications and Marketing

During 2004/05 the Council reviewed its Communications and Marketing Strategy and has produced a plan for the next three years.

A number of steps have already been taken to address the need for greater consistency, co-ordination and integration of communications and marketing activity across the Council:

- The creation of the new post of Head of Corporate Communications and Marketing
- Greater integration of internal, external, media relations and marketing
- To create a Corporate Communications and Marketing Team, building on and broadening the recognised work of the Press Office

- The establishment of a Communications and Marketing Group to oversee and co-ordinate activity across the Council
- The exploration of a proposed transfer of the Design Team to RBT to create a “one stop” service for Design and Print
- Identified need for additional funds to be sought to support essential corporate marketing activity to support the launch of the new vision, community strategy and corporate plan
- Some formal mechanisms have been developed in response to recent communications audits, such as Comment, Year Ahead Workshops, manager and cascade briefings

Extensive use is made of Intranet for communicating with staff and Internet for communicating with other stakeholders.

4.12 Complaints

Complaints handling has been reviewed in 2004/05 by the Chief Executive’s Department. A key element of this review included training provided by the Ombudsman. Corporate monitoring is carried out by the Chief Executive’s department. A report was submitted to CMT, Cabinet and to Standards Committee in January 2005. This can be found on the Intranet.

5 SIGNIFICANT INTERNAL CONTROL ISSUES

5.1 Follow up on 2003/04 significant internal control issues

The issues raised in the 2003/04 SIC have been addressed as follows:

- There is a framework in place for reviewing the Local Code of Corporate Governance, responsibilities are assigned and there is an ongoing training programme for Members and Officers
- Internal Audit has taken further steps to comply with the 2003 Code of Practice for Internal Audit in Local Government. Internal Audit and the Audit Commission have a meeting scheduled to discuss outstanding issues
- The Accounts for 2004/05 have been closed down to timetable
- The client side that monitors the Strategic Partner RBT has been resourced to enable it to carry out its function effectively
- Capacity has been increased to ensure greater accuracy in the production of Best Value Performance Indicators. Quality checks were introduced following training provided by the Audit Commission in November. Quality checks have been risk assessed and final year end checking undertaken by Performance and Quality Unit in conjunction with programme areas. Overall, quality has improved significantly and the quality of file management has also improved
- The risk management process has been further embedded with risk workshops and registers being produced for Corporate, Programme Area and Service Area Management Teams, and major projects such as PFI Schemes, the ALMO, the Strategic Partnership with BT. Further work however is needed on Training, Reporting and Monitoring
- Arrangements for the assessment of risks related to financial reserves has been strengthened.

5.2 Significant internal control issues arising from the 2004/05 review of the effectiveness of the system of internal control.

5.2.1 Financial Management

The following significant areas for improvement were identified by the Audit Commission's in its 2004/05 review of Financial Management:

- Improving capacity and leadership
- implementation of CIPFA's financial management (FM) model
- widening the understanding of the Council's objectives and priorities
- providing more clarity in determining the resource implications arising from the Council's priorities
- giving further consideration to how budget gaps should be addressed.

The recent approval to the request for voluntary premature retirement from the Head of Corporate Finance has presented an opportunity to review the future management and direction of the finance function and staffing structure. This review is presently being carried out by a member of the Corporate Management Team. The newly constituted Audit Committee will monitor this improvement agenda.

In addition, the Council has engaged PricewaterhouseCoopers (PwC) to review the Council's processes for managing external funding streams.

Two particular issues have been identified in accounting more accurately for income in connection with derelict land grant schemes and in the use of holding accounts within the Financial Information System and improvements in both areas are being made.

5.2.2 Risk Management

The results of the independent survey show that progress has been made in comparison with other local authorities. However the survey flags up the need to continue raising awareness at both Member and Officer level and reinforce reporting arrangements by Programme Areas.

The results of the risk management survey will be reported to CMT and Members with an action plan drawn up in conjunction with the company that conducted the survey. Particular emphasis will be placed on measuring the tangible benefits and where innovation has been enabled by the better understanding of the risk management process.

5.2.3 Performance Management

Monitoring has highlighted areas of inconsistency in how the Council handles the recommendations arising from inspections and external audits. In response to this, all such recommendations are now being considered at Corporate Management Team, Cabinet (or Cabinet Member) and Performance Scrutiny and Overview Committee level. In addition, Service Improvement Plans will identify where there have been areas of slippage from previous targets indicating the reason and proposed corrective action.

Ongoing quality assurance checks undertaken by the Performance and Quality team has significantly improved PI reporting. However there is still a need to maintain the momentum for checking in conjunction with Programme Areas.

5.2.4 ALMO/Neighbourhoods

A risk transfer exercise could have been undertaken for the ALMO at an earlier stage, leading to earlier clarity about ownership, responsibilities and budgetary provision.

The establishment of the ALMO in May 2005 is designed to bring significant capital investment into Rotherham - subject to a 2 star rating - to improve the housing stock. The practicalities of this new arrangement represent a risk for the Council in respect of its budget. In the past, the Building Works Department (BWD) has been charged with delivering a £312,000 surplus into the Council's reserves; as the ALMO has now taken this over, there is a remaining financial risk. The calculation of the management fee is currently based on an "as is" scenario - this will change over time, along with the figures.

A further potential risk in respect of the ALMO is the outcome of the review of Service Level Agreements (SLAs). Should the ALMO decide to buy its services from organisations other than the Council, there will be an impact of the Council's finances, TUPE issues and impact on the RBT contract.

For 2005/06, close monitoring of the implications of the ALMO's operations will be an important issue. Such implications will largely affect the HRA but there could be some knock-on effect on the General Fund resulting from this.

Within Neighbourhoods programme area there were a small number of instances of standing orders & European Union (EU) procurement rules not being properly observed in relation to letting of contracts and control of BWD stores system write offs. Internal Audit has reported on these issues to Neighbourhoods management.

5.2.5 Culture and Leisure

It has become apparent in recent years that there is an underlying problem with the Culture and Leisure budget, as evidenced by the difficulties in limiting net expenditure to budget in 2004/05.

In the 2005/06 budget round, a one-off sum of £300,000 was identified to create an opportunity during the year to address the structural problems with this budget. Additionally, the external auditor's work programme for 2005/06 will involve a review of Culture and Leisure which, together with the outcomes of the Council's Base Budget Review, will help to identify appropriate action to ensure the sustainability of Culture and Leisure Service budgets into the future.

5.2.6 RBT(Connect) Ltd

Issues have arisen on two systems managed by RBT where it is the view of Internal Audit that changes to the systems have weakened the internal control environment of these systems in comparison with local government best practice standards as defined by the Chartered Institute of Public Finance & Accountancy (CIPFA).

A review of the Procurement and Creditors system has shown that during Phase 1 of implementation there is evidence of significant duplicate payments to suppliers both in number and value. These errors have been caused by a combination of factors including issue of duplicate invoices by suppliers (because the original had not been paid), failure of Council employees to follow proper procedures, lack of effective monitoring within the system including insufficient staff resources to identify and investigate potential duplicates. In the absence of any other staffing resource, the task of identifying further duplicate payments not previously declared by the recipient, has fallen upon Internal Audit.

RBT (Connect) Ltd have worked closely with Internal Audit during the recent Phase 2 of implementation to eliminate repetition of many of the previous shortcomings.

A review of the Human Resources and Payroll system identified a gradual weakening of the various controls that in isolation were not significant but together contributed to an overall system weakness in security. These were related to the progress in e-government and the increasing use of e-mails to authorise changes. Nevertheless at the time of the internal audit there was no evidence of significant errors or unauthorised payments in the Human Resources and Payroll System.

5.2.7 Sundry Debtors

An Internal Audit review of the Sundry Debtors system was found to have appropriate system controls. However the review indicated that several years of debts deemed to be un-collectable still existed on the system and had not been passed to the Head of Corporate Finance to be officially written off and removed from the system. A write-off report is scheduled to go to the Head of Corporate Finance in August.

5.2.8 Freedom of Information

Due to the devolved nature of responding to requests, there have been 3 instances where we have not met the request within the 20 day limit. There have been some requests where the responses have not included information relating to exemptions and the complaints procedure which we are obliged to include.

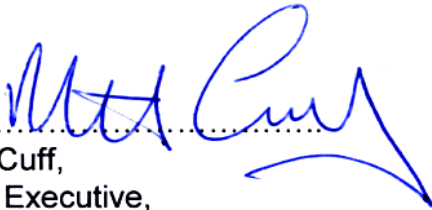
Further consideration is being given to the resourcing and management of Freedom of Information commitments.

6 Leader and Chief Executive Statement of Assurance

We are satisfied, that apart from the matters listed in section 5 above, corporate governance arrangements are adequate and are operating effectively. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements.



.....
Councillor Roger Stone,
Leader,
Rotherham Metropolitan Borough Council



.....
Mike Cuff,
Chief Executive,
Rotherham Metropolitan Borough Council

INDEPENDENT AUDITOR'S REPORT TO ROTHERHAM METROPOLITAN BOROUGH COUNCIL

I have audited the statement of accounts on pages 2 to 107 that have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 14 to 21.

This report is made solely to Rotherham MBC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 1 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 87 to 107 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts present fairly the financial position of Rotherham MBC as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:  Date: 27 Oct 05

Name: SSUNDERLAND Address: AUDIT COMMISSION
LITTLEMOOR HOUSE
LITTLEMOOR
ECKINGTON
SHEFFIELD
S21 4EF

Glossary

This listing will help Members and other readers to understand the terminology used within the Statement of Accounts. For the first time this listing has also been included in the Statement itself.

Terms used:	Definition of Terms:
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
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 Management Revenue Account (AMRA)	An account maintained to record the costs of the Authority's Fixed Assets. It is credited with amounts charged to individual services for the use of those assets.
Budgets	A statement of the Council's forecast spend ie net revenue expenditure for the year.
Business Rates	See National Non-Domestic Rates.
Capital Charge	This represents a charge made to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition of a fixed asset of expenditure that adds to and not merely maintains the value of an existing fixed asset.
Capital Financing Account	An account maintained to hold the transactions relating to the financing of capital expenditure.
Capital Receipts	Proceeds or money received from the sale of land or other capital assets. Under the Local Government Act 1989, a proportion must be set aside to provide for the repayment of debt and the balance is available to finance new capital expenditure.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

Community Assets	These are assets that the Council intends to hold in perpetuity, which have an indeterminable useful life and in addition may have restrictions on their disposal. Examples include parks, historic buildings and cemeteries.
Contingent Liability	A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.
Council Tax	This is a banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.
Creditors	An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.
Debtors	Sums of money owed to the Council but not received at the end of the year.
Deferred Charges	Expenditure which may properly be incurred, but which does not result in an asset owned by the Council. Examples of deferred charges are expenditure on items such as improvement grants.
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
Earmarked Reserve	A sum set aside for a specific purpose.
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 of use of the asset.
Fees and Charges	Income arising from the provision of services. eg the use of leisure facilities.

Fixed Asset Restatement Account (FARA)	The account which reflects the amount by which the value of the Council's assets have been revised following revaluation or disposals.
Fixed Assets	These are 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.
FRS	'Financial Reporting Standards' (FRS) are statements issued by the Accounting Standards Committee (ASC) that seek to ensure consistency in the treatment of certain accounting issues. Many FRS's now apply to local authority accounts and any departure must be disclosed in the published statement.
FSS	Formula Spending Share. The Government's assessment of the amount of expenditure required for each authority to provide a standard level of service across the country.
General Fund Services	This 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.
Government Grants	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Council.
Government Grants Deferred Account	Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on this account represents grants not yet written off.
Housing Revenue Account	This account includes all revenue expenditure and income relating to the provision, maintenance and administration of Council housing. It is a statutory requirement that the account be maintained separately ('ring fenced') from General Fund services.
Impairment	A reduction in the value of a fixed asset not caused by general changes in market values.
Infrastructure Assets	These are inalienable assets (ie assets where ownership cannot be transferred) from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths and bridges.

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.
Liabilities	Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.
Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily converted to known amounts of cash at, or close, to the carrying amount, or traded in an active market.
Major Repairs Allowance	A revenue grant received as part of the Authority's Housing Subsidy used to finance major housing repairs.
Major Repairs Reserve	The Major Repairs Reserve (MRR) is a reserve established in 2001/02 to which the Authority's Major Repairs Allowance is transferred. The balance on the MRR is used to finance major housing repairs in future years.
Minimum Revenue Provision	This is the minimum amount (set by law) that must be charged to the Council's revenue account each year to provide for the repayment of loans used to finance capital expenditure. The minimum amount is a percentage of the total credit ceiling (net indebtedness).
National Non-Domestic Rates (NNDR)	Rates which are levied on business properties. The Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.
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-Operational Assets	These are assets which are not directly occupied, used or consumed in the delivery of the services.
Operating Lease	A lease other than a finance lease.

Operational Assets	These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a responsibility.
Post Balance Sheet Events	Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.
Precepts	The proportion of total council tax that is due to local parishes and various authorities eg the Police, Fire and Civil Defence Authorities and which is collected on their behalf by the Council.
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.
Provisions	Provisions are charged to revenue during the year for costs with uncertain timing though a reliable estimate of the cost involved can be made.
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.
Related Party	<p>The definition of a related party is dependent upon the situation though key indicators of related parties are if:</p> <ul style="list-style-type: none"> • One party has direct or indirect control of the other party: • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
Reserves	These are amounts set aside from balances to meet specific items of future expenditure. There are revenue and capital reserves.

Revenue Expenditure	This represents day to day running costs incurred in the provision of Council services. Such costs include employee costs and supplies and services.
Revenue Support Grant	A grant paid to the Council by the Government to finance the Council's general expenditure 'needs' and not specific services, after taking into account the level of Council Tax and NNDR income.
SSAPs (Statements of Standard Accounting Practice)	These are statements issued by the Accounting Standards Committee that seek to ensure consistency in the treatment of certain accounting issues. Many SSAPs now apply to local authority accounts and any departure must be disclosed in the published accounts.
Useful Life	The period over which the Local Authority will derive benefits from the use of a fixed asset.