

# Statement of Accounts

## 2005/06

**Pride** in Performance

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# **METROPOLITAN BOROUGH OF ROTHERHAM**

## **STATEMENT OF ACCOUNTS 2005/06**

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## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

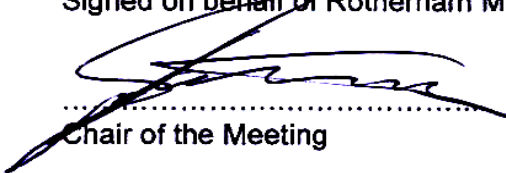
The Authority is required:

- 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 Executive Director of 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 the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 27 September 2006.

Signed on behalf of Rotherham MBC:

  
.....  
Chair of the Meeting

Date: ..... 27 September 2006 .....

### **The Executive Director of Finance's Responsibilities**

The Executive Director of 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 Executive Director of Finance has:

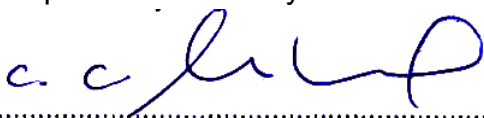
- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice.

The Executive Director of 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.

### **Executive Director of 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 2006 and its income and expenditure for the year then ended.

Signed: .....  .....  
A A Bedford, BA(Hons), CPFA

Date: ..... 27/9/06 .....

## **FOREWORD BY THE EXECUTIVE DIRECTOR OF FINANCE**

### **1 INTRODUCTION**

This Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2006 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 12). 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 20)**

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), redistributed National Non-Domestic Rates (NNDR) and PFI Support Grant.

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 34)**

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 41)**

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 44)**

The Consolidated Balance Sheet shows the Council's overall financial position as at the end of the financial year (31 March 2006) 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 64)**

**(Note 19 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 80)**

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 81)**

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 GROUP ACCOUNTS (Page 85)

For a variety of reasons, undertakings, including local authorities, often choose to conduct their activities through other organisations under the ultimate control of the parent undertaking (known as a group). For this reason the financial statements of the reporting authority by itself do not present a full picture of its economic or financial activities. Group financial statements are therefore required in order to reflect the extended service delivery and full economic implications of the authorities involvement with these undertakings.

The Council has considered its group accounts position in the light of the SORP requirements and prepared Group Accounts by consolidating the financial activities of these organisations considered to form part of the group with those of the Council.

## 3 REVENUE SPENDING IN 2005/06

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, fees and charges and other sources of income.

### General Fund Services

For 2005/06 Rotherham Metropolitan Borough Council set a Revenue Budget of £313.513m (£323.781m before the budgeted Private Finance Initiative grant of £6.222m and support through use of balances of £4.046m).

The actual outturn of £312.660m (£322.928m before PFI grant of £6.222m) meant the Council used £3.193m (net) of general balances. The overall position is summarised below:-

2004/05				2005/06		
Original Estimate £m	Actual £m	Variance £m		Original Estimate £m	Actual £m	Variance £m
305.149	307.196	2.047	Total Net Expenditure	323.781	322.928	-0.853
0.000	-2.047	-2.047	Contributions to (+)/from (-) Balances	-4.046	-3.193	0.853
305.149	305.149	0.000	Spending	319.735	319.735	0.000
1.581	1.581	0.000	Add Parish Council Precepts	1.694	1.694	0.000
<b>306.730</b>	<b>306.730</b>	<b>0.000</b>	<b>Total</b>	<b>321.429</b>	<b>321.429</b>	<b>0.000</b>
			Funded by:			
153.594	153.594	0.000	Revenue Support Grant	152.684	152.684	0.000
69.688	69.688	0.000	Share of NNDR Pool	83.822	83.822	0.000
8.213	8.213	0.000	PFI Grant	6.222	6.222	0.000
75.235	75.235	0.000	Receipts from Collection Fund	78.701	78.701	0.000
<b>306.730</b>	<b>306.730</b>	<b>0.000</b>	<b>Total</b>	<b>321.429</b>	<b>321.429</b>	<b>0.000</b>

During the financial year, the Council's Revenue Budget was continuously monitored, with regular reports presented to Members and senior management. Where necessary appropriate action was taken to ensure that as far as possible the Council achieved a balanced outturn.

Overall, net expenditure for the year was £0.853m below the approved Budget and the principal reasons for this variation were as follows:

A one off gain in Housing Benefit subsidy (£0.823m), budgetary savings on the former Education element of the Children and Young People's Service (£0.889m) and Neighbourhoods General Fund services (£0.666m), unbudgeted income under the Local Authority Business Growth Incentive Scheme (£0.547m) and savings through Treasury Management activities (£0.729m). These offset the budgetary pressures on the Adult Social Services budget (£0.978m) and the Council's potential share of the liability due to irregularities at the South Yorkshire Trading Standards Unit (£2.530m).

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 2006, there is a sum of £3.892m relating to School Delegated Budget arrangements as follows:-

2004/05 £m		2005/06 £m
1.566	Schools' Declared Savings	1.071
3.111	Unspent Schools' Budgets	2.821
<b>4.677</b>	<b>Total</b>	<b>3.892</b>

### **Housing Revenue Account (HRA)**

The Housing Revenue Account showed a surplus of £4.161m during 2005/06 (£2.526m in 2004/05) after crediting a proportion (£0.032m) of the previous year's Building Works surplus (£0.138m in 2004/05), in line with previous years' practice.

During the financial year, budget monitoring procedures similar to those operating on the General Fund Budget were used to report on the activities of the Housing Revenue Account to Members and senior management.

A small budgetary surplus was set for the year but sales of Council dwellings were less than had been expected and when combined with further savings on the expected losses on voids and losses on rent collection, rent income was £2.010m higher than had been anticipated.

In addition, savings were achieved against the budget for Supervision and Management (£1.22m) and repair and maintenance activities (£0.940m).

### **Trading Services**

The Authority's Trading Services generated a net profit of £0.693m in 2005/06 having adjusted for the adoption of FRS 17. 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 40) is included later within this Statement of Accounts.

## **4 CAPITAL SPENDING AND BORROWING IN 2005/06**

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 2005/06 amounted to £90.12m and comprised the following:-

	2005/06 Actual £m
Children & Young People	18.088
Culture and Leisure	4.428
Neighbourhoods	
- Housing Investment Programme Element	28.088
- General Fund Element	5.859
Economic & Development Services	30.240
Social Services- Adults/Strategic	1.302
Social Services- Children & Families	0.546
Corporate Services	1.569
<b>Total</b>	<b>90.120</b>



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

	2005/06 £m
Loans	23.812
Major Repairs Allowance (MRA)	11.640
Grants	27.331
Capital Receipts	16.513
Other External Sources	10.702
Internal Funds (e.g. Reserves, Capital Fund, etc)	0.122
<b>Cash Basis</b>	<b>90.120</b>

(c) Major items of capital expenditure incurred during 2005/06 are shown below:-

	2005/06 £m
<u>Non Housing</u>	
Wickersley Northfield Infants School	0.837
NOF PE & Sport Pope Pius School	1.373
Education - Access Initiative	1.004
Green Arbour School Classroom Replacement	1.719
RMBC Expenditure on PFI Schools	1.393
Maltby Sure Start Centre	0.968
South Grove Workspace Development	1.889
Derelict Land Reclamation - Plant Site Contract	6.266
Flood Alleviation Scheme	1.990
Westgate Acquisitions	2.186
One Stop Shop	1.651
Rotherham Connect Phase 1	1.073
Extra Care Housing - Queensacre	0.789
Highways - Highfield Lane, Orgreave	2.246
<u>Housing</u>	
Disabled Facilities Grants	0.872
Eastern ADF Acquisitions	1.044
Decent Homes Standard	12.023
District Heating Conversions	1.178
Public Sector Adaptations	1.039
Replace Boilers containing Asbestos	1.882
Wath White Bear Regeneration	3.620
Decent Homes - ALMO funded	3.662
Improvements to Post War Bungalows	1.509

(d) The Council's borrowing activities during 2005/06 are summarised below:-

Long-term Borrowing

2004/05 £m		2005/06 £m
164.528	Balance as at 1 April	164.168
	Plus:	
0.000	New long-term borrowing	35.000
-0.360	Re-classified as temporary borrowing (repayable in following financial year)	-0.365
<b>164.168</b>	<b>Balance as at 31 March</b>	<b>198.803</b>

The Council's operational boundary for external debt for the year was £186.658m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £206.143m.

Temporary Borrowing

2004/05 £m		2005/06 £m
0.355	Balance as at 1 April	0.366
	Plus:	
132.280	New temporary borrowing	96.550
0.360	Re-classified from long-term borrowing	0.365
132.995		97.281
	Less:	
-132.280	Repayments in the year	-94.980
-0.349	Repayment of prior year's reclassified long-term borrowing	-0.360
-132.629		-95.340
<b>0.366</b>	<b>Balance as at 31 March</b>	<b>1.941</b>

## 5 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 2005/06 Rotherham MBC received £12.165m in MRA which was added to the balance of £0.758m brought forward from 2004/05. During the year £11.640m was used to fund capital expenditure with the balance of £1.283m carried forward into 2006/07 within the Major Repairs Reserve (MRR).

## **6 RBT (CONNECT) LTD**

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a 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 2006/07.

## **7 PUBLIC FINANCE INITIATIVES**

By the 31 March 2006, 7 of the 15 schools which are part of the PFI scheme have been made available for use, the remaining eight schools will be delivered in 2006/07. 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 2005/06 Statement of Accounts reflects the second 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 £23.63m of PFI Credits to support the scheme. DC Leisure Management Ltd were appointed preferred bidder on this contract in March 2006. The contract is due to be signed in the autumn of 2006.

## **8 ARMS LENGTH MANAGEMENT ORGANISATION**

During 2003/04 the Council approved the creation of an Arms Length Management Organisation. This was given the backing of Council Tenants when a vote was held on the proposals in February 2005.

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

The ALMO was inspected by the Government's Housing Inspectorate in November 2005 and it received a two star rating. The achievement of a two star rating results in an additional £52.5m being made available between 2005 and 2007 with a further £163m being spent by 2010.

## **9 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 £190.783m, which is an improvement of £19.712m on the position as at 31 March 2005. 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 2005/06 was 15.1%, rising to 16.1% in 2006/07 and an estimated 17.1% in 2007/08.

## **10 EXCEPTIONAL ITEMS**

During 2005/06 the Council identified two exceptional items; Equal Pay and Trading Standards. Further information regarding these items can be found on Note 24 to the Consolidated Revenue Account.

## **11 OUTLOOK**

Rotherham is changing rapidly and the Council is committed to serving the people of Rotherham well and to making the very best use of our resources for the benefit of everyone.

The Council has been able to set a Revenue Budget of £185.4m for 2006/07. In addition the Council will receive £156.0m through the Dedicated Schools Grant and continues to benefit from a share of other external funding streams.

In setting this Budget the Council has ensured that:

- corporate priorities line up with those of other partner organisations, including health, police, local business, voluntary and community organisations
- the public's priorities for service delivery have been taken into consideration
- financial planning supports the delivery of these agreed priorities.

In the short to medium term the Council will continue to manage the potentially significant cost pressures arising from the implementation of the single-status agreement.

Looking to the future the Council is:

- developing new ways of delivering services to achieve higher levels of customer satisfaction and value for money through strategic partnerships, service commissioning, and enterprise
- developing strategies for service investment, and freeing up resources from lower priority services
- building sustainable budgets, using reserves and balances to aid the move towards sustainable budgets and ensuring a clear way forward for externally funded projects
- developing and implementing strategies for fees and charges policies consistent with Council priorities
- integrating revenue budget strategy and capital investment strategy to achieve maximum impact and deliver an ambitious programme
- committed to an approach to setting the local Council Tax based on keeping increases to a minimum whilst protecting investment in key service priorities for the people of Rotherham, and ensuring a stable and sustainable strategy for the Council Tax
- developing systems and processes to exert greater control over the use of resources, to ensure stewardship and best use of public funds in line with agreed priorities
- continuing its drive for greater levels of efficiency.

The Council's Medium Term Financial Strategy takes forward our continued improvement as we progress towards excellence, and it underlines our determination to keep the Council Tax as low as possible for all Rotherham residents.

We are pushing ahead with much physical change, with new schools being built, new business outlets opening up, and new cultural and leisure opportunities being developed.

The Council has a major Capital Programme in the region of £143.3m for 2006/07, approximately half of which relates to Neighbourhoods Services.

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, and to help us drive through change and drive up value for money across the Council's services.

A A Bedford, BA(Hons), CPFA  
Executive Director of 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 2005 - 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 2005/06 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.

The accounts include income relating to the provision of Council services but which had not been received at the year-end. Expenditure is included where services have been delivered to the Council but not paid for at the 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 4).

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 4) and Consolidated Balance Sheet (note 20).

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 policies 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.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce/increase the value of the Council's pension liabilities by £11.141 million and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account.

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 6.52% lower (0.02% lower 2004/05) after the replacement of employer's contributions with current service costs and Net Operating Expenditure is 4.35% lower (1.69% higher 2004/05) 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 21.50% (20.05% in 2004/05).

#### 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.
- 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) eg Retirement Benefits.

The elements of cost which are to be included within CDC and NDC are defined within BVACOP 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 £10,000 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 £300,000 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 £300,000 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 unexpected 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 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 2005/06 were 3.5% for all assets carried at current value (3.5% for 2004/05) and 4.95% for those carried at historic cost (ie infrastructure and community assets) (4.8% for 2004/05).

#### 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 and surplus assets.

#### c) Capital charges have a neutral impact on the amount raised from local taxation as they are reversed out through the Asset Management Revenue 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 eg Improvement Grants. 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 is classified as a long-term debtor but the policy continues to be 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.
- (iv) Interest on Long Term Investments - where terms specify that interest is paid on maturity.

### 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 has been financed wholly or partially by Government grant, the amount of the grant is credited initially to the Government Grants Deferred Account. Amounts are 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 2020/21.

### 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. However, the Council's policy is to include 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 uncollectable debts are written off to the appropriate service accounts.

## **6 Group Accounts**

- 6.1 The Council's disclosures comply with the requirements of the SORP consistent with FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures.

## **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 Reserve 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 2006**

2004/05 Net Expenditure £000		2005/06			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
2,248	Central Services to the Public	3,225	-1,322	1,903	
1,280	Court and Probation Services	377	-13	364	
34,103	Cultural, Environment & Planning Services	54,549	-20,038	34,511	
161,388	Education Services	258,675	-87,480	171,195	
12,158	Highways, Roads & Transport Services	14,587	-2,313	12,274	
31,027	Housing Services	174,768	-140,495	34,273	
68,925	Social Services	112,278	-34,135	78,143	
5,646	Corporate & Democratic Core	6,070	-604	5,466	
1,839	Non Distributed Costs	1,272	-20,748	-19,476	
0	Exceptional Items	7,290	0	7,290	24
<b>318,614</b>	<b>NET COST OF SERVICES</b>	<b>633,091</b>	<b>-307,148</b>	<b>325,943</b>	
1,581	Parish Council Precepts	1,694	0	1,694	23
15,370	County and Other Levies	15,935	0	15,935	
50	Surplus (-)/Deficit (+) on Trading operations, including dividends from other companies	0	-693	-693	9
-28,620	Asset Management Revenue Account	0	-28,782	-28,782	10
325	Cost of the repurchase of borrowing	158	0	158	
18,533	Contribution to Housing Pooled Capital Receipts	16,152	0	16,152	19
-2,647	Interest & Investment Income	0	-2,570	-2,570	
5,140	Pensions interest cost and expected return on pension assets	6,719	0	6,719	
<b>328,346</b>	<b>NET OPERATING EXPENDITURE</b>	<b>673,749</b>	<b>-339,193</b>	<b>334,556</b>	

<b>CONSOLIDATED REVENUE ACCOUNT (continued)</b>			
2004/05 Net Expenditure £000		2005/06 Net Expenditure £000	Note
328,346	Brought forward	334,556	
2,531	Surplus (+)/Deficit (-) transferred to (+)/from (-) HRA	4,161	12
-7,551	Contributions to (+)/from (-) Housing Reserves	-7,346	
0	Contributions to (+)/from (-) Insurance Reserve	0	
11,152	Contribution to (+)/from (-) Other Earmarked Reserves	-3,743	13
-2,910	Contribution to (+)/from (-) Capital Reserves	-6,128	14
1,159	Capital expenditure financed from Revenue	0	16
-18,533	Transfer from Usable Capital Receipts	-16,152	19
-5,417	Contribution to (+)/from (-) the pensions reserve	15,228	
<b>308,777</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>	<b>320,576</b>	
-153,594	Revenue Support Grant	-152,684	
-8,213	PFI Grant Support	-6,222	
-69,688	National Non-Domestic Rate redistribution	-83,822	
-74,235	Demand on Collection Fund	-77,201	
-1,000	Transfer to (+)/from (-) Collection Fund in respect of surpluses/deficits	-1,500	
<b>2,047</b>	<b>NET GENERAL FUND SURPLUS (-)/DEFICIT (+)</b>	<b>-853</b>	
-10,441	Balance on General Fund brought forward	-11,783	
-3,389	Reclassification/Transfers	-989	
<b>-11,783</b>	<b>GENERAL FUND BALANCE CARRIED FORWARD</b>	<b>-13,625</b>	
-3,111	General Fund balance attributable to school budgets	-2,821	

## **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**      **Publicity**

The Local Authority is required by Section 5 of the Local Government Act 1986 to disclose expenditure incurred on publicity. During 2005/06 such expenditure is detailed below:-

2004/05 £000		2005/06 £000
1,090	Recruitment Advertising	1,185
183	General Advertising	127
1,286	Promotional Material	1,979
293	Press and Publicity	341
2,852	Total	3,632

### **Note 3**      **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 2005/06 under the remaining powers of section 137 of the Local Government Act 1972 (Nil in 2004/05).

### **Note 4**      **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 2005/06 the Council paid employer's contributions calculated at 13.5% amounting in total to £11,415,000. (For 2004/05 the corresponding figures were 13.5% and £11,205,000.)



(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 2005/06 the Council paid employer's contributions calculated at 15.1% amounting to £17,905,880. (For 2004/05 the corresponding figures were 13.8% and £16,680,913).

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:-

2004/05 £000		2005/06 £000
-15,851	Net Cost of Services	
-557	- Current Service Cost	-16,246
	- Past Service/Curtailment Cost	20,817
	Net Operating Expenditure	
-2,995	- Current Service Cost - Trading Services	-3,067
-29,859	- Interest Cost	-31,924
24,719	- Expected Return on Assets in the Scheme	25,205
	Amounts to be met from Government Grants and Local Taxation:-	
5,417	- Movement of Pensions Reserve	-15,228
	Actual amount charged against Council Tax for pensions in the year:-	
19,126	- Employers' contribution payable to Scheme	20,443

The impact of the entries for Past Service and Curtailment Costs is reflected in Non-Distributed Costs within the Consolidated Revenue Account.

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 5      Leasing**

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

2004/05 £000		2005/06 £000
	Operating Lease Rentals paid in year:-	
817	- Primary rentals	633
96	- Secondary rentals	124
	Undischarged obligations under all leases at the year end:-	
633	- payable within one year	478
1,335	- payable within two to five years	857
0	- payable after five years	0

**Note 6**      **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 2005/06 Rotherham MBC provided such services to colleges, parish councils and other public bodies to the value of £467,200 (£430,957 during 2004/05). The services covered included building maintenance, grounds maintenance and cleaning of buildings.

**Note 7**      **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 2005/06 the numbers are :-

2004/05		2005/06
22	£50,000 - £59,999	34
22	£60,000 - £69,999	22
4	£70,000 - £79,999	12
6	£80,000 - £89,999	6
1	£90,000 - £99,999	2
0	£100,000 - £109,999	0
1	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	1

**Note 8**      **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 21 to the 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.

<b>Related Parties</b>	<b>Nature of Transactions</b>	<b>£</b>
<b><u>Assisted Organisations</u></b>		
Dinnington Resource Centre	Loan, fees and charges	37,220
Doncaster Indoor Bowling Club	Grant	3,520
Eastwood Action Residents	Grant, fees and charges	1,938
Full Life Christian Centre	Grant, fees and charges	27,245
Get Sorted Academy of Music	Grant, fees and charges	90,249
Groundwork Dearne Valley	Grant, fees and charges	488,510
Kiveton Park and Wales Community Development Trust	Fees and charges	7,687
Manor Farm Tenants & Residents Association	Fees and charges	64
Rotherham Disability Information Services	Grant	54,169
Rotherham Ethnic Elderly Group	Grant	5,474
Rotherham Play and Learn Bus	Grant, fees and charges	134,555
Rotherham School Sports Association	Fees and charges	360
Rush House	Grant, fees and charges	468,441
Spurgeon's Childcare	Grant, fees and charges	314,088
St Ann's Breakfast Buddies	Grant	9,703
Tassibee	Grant, fees and charges	46,065
United Multicultural	Grant, fees and charges	165,195
Yemeni Community Association	Grant	50,746
<b><u>Member Related</u></b>		
Citizens Advice Bureau	Grant, fees and charges	141,140
Coalfields Communities Campaign	Fees and charges	10,924
Creation Recycling	Fees and charges	54,578
Groundwork Creswell	Fees and charges	18,391
Magna	Fees and charges	205,094
Phoenix Enterprises (Roth) Ltd	Grant, fees and charges	160,918
Robond	Grant	95,599
Rotherham Advice and Information Network	Grant, fees and charges	34,437
Rotherham Community Transport	Fees and charges	60,372
Rotherham Age Concern	Grant, fees and charges	570,112
Rotherham Credit Union Development Agency	Grant	28,747
Rotherham Community Resource/Rotherham Crime	Grant, fees and charges	357,729
Rotherham Diversity Forum	Grant, fees and charges	21,291
Rotherham Ethnic Minority Alliance	Grant, fees and charges	16,990
Rotherham Rugby Union Football Club Ltd	Fees and charges	7,088
Rotherham United Football Club	Fees and charges	1,635
Rotherham Women's Refuge	Grant, fees and charges	130,967
Swinton Lock Activity Centre	Grant, fees and charges	40,345
Thomas Rotherham College	Fees and charges	29,714
Treeton Partnership	Grant, fees and charges	5,503
Voluntary Action Rotherham	Grant, fees and charges	764,521
<b><u>Officer Related Organisations</u></b>		
Academy of Construction Trades	Grant, fees and charges	139,248
FACE Advice Centre	Grant, fees and charges	37,140
GROW	Grant, fees and charges	41,261
Kiveton Park Independent Advice	Grant	11,666
Rotherham Chamber of Commerce	Grant, fees and charges	32,505
South Yorkshire Funding Advice	Grant	46,680
<b><u>Other Related Organisations</u></b>		
South Yorkshire Passenger Transport Authority/Executive	Levy, fees and charges	14,101,524
The Environment Agency	Levy, fees and charges	190,978

**Note 9**      **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 surplus on those accounts (£693,000 for 2005/06 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 40).

Dividends of £14,679 were received in 2005/06 in respect of the Council's investment in BDR Waste Disposal Ltd. (During 2004/05 no dividends were received.)

**Note 10**      **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:-

2004/05 £000		2005/06 £000
-61,249	Amounts Credited to AMRA:	
-2,677	Capital Charges	-67,664
-1,080	Impairment	-1,419
	Governments Grants Released	-1,369
-5,355	Provision for Depreciation:	
	Prior years' adjustment	0
-70,361		-70,452
	Amounts Debited to AMRA:	
26,669	Provision for Depreciation	26,854
12,395	External Interest Charges	13,397
2,677	Impairment	1,419
41,741		41,670
-28,620	Surplus to Consolidated Revenue Account	-28,782

**Note 11**      **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 12**      **Surplus/Deficit on the Housing Revenue Account**

During 2005/06 the Housing Revenue Account showed a surplus of £4.161m (£2.531m in 2004/05) after crediting a proportion (£0.032m) of the previous year's Building Works surplus (£0.138m in 2004/05). 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 2005/06 is included later (Page 34).

**Note 13**      **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
Capital Fund	11	-514	
Infrastructure Maintenance Fund	12		
Energy Conservation	127	-46	
Invest to Save	202	-166	
Libraries & Museum	9	-81	
Rating Revaluation Refunds	914	-811	
Corporate IT Initiatives	844	-1,269	
CERB - Economic & Development Services	80		
Pupil Retention	192		
Maintenance of Buildings		-222	
Statutory Costs		-134	
Winter Conditions		-46	
53 Week Year	167		
Property Asset Bank	252	-131	
Managed Workspace R&R	54		
Local Elections	0		
CENT ICT Refresh	82		
Objective 1	200	-77	
Waste Minimisation		-136	
Woodhouse Mill Nature Reserve		-16	
Commutation Adjustment	1,534	-9,700	
PFI Schools	5,217		
Asylum Seekers		-215	
Schools Declared Savings	163	-658	
Landfill Allowance Trading Scheme	419		
<b>Total</b>	<b>10,479</b>	<b>-14,222</b>	<b>-3,743</b>

## **Note 14      Contributions to (+)/from (-) Capital Reserves**

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.

2004/05 £000		2005/06 £000
3,715	MRP Calculation General Fund	4,602
3,715		4,602
	<u>Less</u>	
-8,032	Amounts charged as depreciation General Fund	-7,344
5,355	General Fund - prior years' adjustment	0
-2,677		-7,344
	<u>Other adjustments:</u>	
-2,351	Deferred Charges written down	-3,741
-2,677	Impairment	-1,419
0	PFI Long Term Debtor written on	650
0	PFI Deferred Consideration written down	-245
1,080	Capital grants deferred	1,369
-3,948		-3,386
<b>-2,910</b>	<b>Contributions to (+)/from (-) Capital Reserves</b>	<b>-6,128</b>

## **Note 15      Members' Allowances**

Members' allowances during 2005/06 totalled £981,750 (2004/05 £926,434). Detailed information about Members' allowances can be obtained from the Executive Director of Finance, 1st Floor Grove Road, Moorgate, Rotherham, S60 2ER.

**Note 16**      **Capital Expenditure Financed from Revenue**

There was no capital expenditure financed from revenue in 2005/06.

2004/05 £000		2005/06 £000
900	Housing Revenue Account	0
259	General Fund	0
<b>1,159</b>	<b>Total</b>	<b>0</b>

**Note 17**      **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 2005/06 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 £133,000 (see also Trading Services Statement on Page 40). The Council does not maintain a separate reserve for the chargeable element of the account but retains any balance within the General Fund.

	Chargeable £000	Non- Chargeable £000	Total £000
Expenditure:			
Employee Expenses	406	168	574
Premises	0	0	0
Transport	18	0	18
Supplies and Services	22	6	28
Central and support service charges	116	1	117
TOTAL EXPENDITURE	562	175	737
Income:			
Building Regulation Control	-699	0	-699
Miscellaneous Income	0	0	0
TOTAL INCOME	-699	0	-699
Surplus (-)/Deficit (+) for year	-137		

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 £2,000 in 2003/04, a surplus of £49,000 in 2004/05 and a surplus of £137,000 in 2005/06.



## **Note 18**      **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

2004/05 £000		2005/06 £000
-608	Funding from Rotherham Primary Care Trust	-630
-1,016	RMBC (Social Services) Contribution	-1,118
-1,624	Total Gross Income	-1,748
1,568	Total Gross Expenditure	1,711
-56	Net Expenditure (+)/Income (-)	-37

### Learning Disabilities Services

2004/05 £000		2005/06 £000
-8,153	Funding from Rotherham Primary Care Trust	-9,472
-11,093	RMBC (Social Services) Contribution	-12,205
-19,246	Total Gross Income	-21,677
20,305	Total Gross Expenditure	22,231
1,059	Net Expenditure (+)/Income (-)	554

## **Note 19**      **Housing Pooled Capital Receipts**

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 20**      **Audit Costs**

In 2005/06 the Authority incurred the following fees relating to external audit and inspection:-

2004/05 £000		2005/06 £000
383	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	375
84	Fees payable to the Audit Commission in respect of statutory inspection	45
156	Fees payable to the Audit Commission for the certification of grant claims and returns	142
0	Fees payable in respect of other services provided by the appointed auditor	0
623	<b>Total</b>	<b>562</b>

## **Note 21**      **Long-Term Contracts**

### (a) Public Finance Initiatives

At 31 March 2006 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 9 primary schools, 4 of which were completed by March 2006, and 6 secondary schools, 3 of which have also been completed. The contract runs for 30 years and payments to the contractor during the year totalled £6,000,000. All work is due to be finished by January 2007, and payments will increase to the full charge in 2007/08. 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 £6,222,000 of grant in support of this project.

A second contract is due to be signed in autumn 2006, 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

2006/07 is the fourth 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 2005/06 transactions can be found in the explanatory forward (Note 6) and note 21 to the Consolidated Balance Sheet respectively.

## (c) 2010 Rotherham Ltd

In May 2005 the Council established an ALMO, 2010 Rotherham Ltd, to deliver decent homes, neighbourhood management and support area assemblies. Details of the contract and 2005/06 transactions can be found in the explanatory foreword (Section 8) and note 21 to the Consolidated Balance Sheet respectively.

**Note 22**      **Business Improvement District Schemes**

Business Improvement District (BID) schemes are projects which benefit a particular area and are financed (in whole or in part) by a BID levy, paid by the non-domestic ratepayers, in the BID area. BID levy financed services are additional to the existing baseline services provided by the Authority from its general resources. There were no BIDs operational in 2005/06.

**Note 23**      **Parish Precepts**

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

**Note 24**      **Exceptional Items**

During 2005/06 the Council incurred expenditure classified as exceptional to normal activities.

## (a) Equal Pay

The Council settled potential claims for over 3,600 weekly paid staff at a cost of £4.760m. Further detail is given at note 12 to the Consolidated Balance Sheet.

## (b) Trading Standards

The exceptional item in the Consolidated Revenue Account represents the provision for the Council's potential share of the losses and costs associated with the discovery of financial irregularities at the South Yorkshire Trading Standards Unit, administered by Sheffield City Council on behalf of the four Authorities in South Yorkshire.

## 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.

<b>HRA OPERATING ACCOUNT</b>			
<b>For the year ended 31 March 2006</b>			
2004/05 £000		2005/06 £000	Note
	<u>Income</u>		
	Gross rental income:		
47,591	Dwelling rents	48,337	
844	Non-dwelling rents	1,020	
4,283	Charges for services and facilities	3,336	
11,086	HRA subsidy receivable	12,165	8
7	Housing benefit transfers from General Fund	0	
<b>63,811</b>		<b>64,858</b>	
	<u>Expenditure</u>		
	Repairs, maintenance and management:		
14,039	Contributions to Housing Repairs Account	11,357	
14,511	Supervision and management	8,106	
0	ALMO Management Fee	7,527	
8	Rents, rates, taxes and other charges	4	
16,645	Negative subsidy-payment to Secretary of State	17,076	8
511	Provision for bad or doubtful debts	394	9
24,579	Cost of capital charge	30,047	5
18,637	Depreciation of fixed assets	19,511	6
1,394	Impairment of fixed assets	1,129	
0	Deferred Charges	185	
66	Debt management costs	94	
<b>90,390</b>	<b>Total Expenditure</b>	<b>95,430</b>	
<b>26,579</b>	<b>Net Cost of Services</b>	<b>30,572</b>	

2004/05 £000		2005/06 £000	Note
-20,563	Adjusting transfer from Asset Management Revenue Account	-25,851	
134	Amortised Premia - Debt redemption	100	10
-498	Interest received	-423	
-138	Transfer from Building Works DLO Reserve	-32	
-21,065		-26,206	
<b>5,514</b>	<b>Net Operating Expenditure</b>	<b>4,366</b>	
	<u>Appropriations</u>		
900	Revenue contributions to capital expenditure	0	4
-1,394	Transfer from Capital Financing Account	-1,181	
-7,551	Transfer from Major Repairs Reserve	-7,346	
<b>-2,531</b>	<b>Surplus (-)/Deficit (+) for the year</b>	<b>-4,161</b>	
	<u>Housing Revenue Account Balance</u>		
-3,739	Balance brought forward at beginning of year	-6,270	
-2,531	Surplus (-)/Deficit (+) for the year	-4,161	
<b>-6,270</b>		<b>-10,431</b>	

### Notes to the Housing Revenue Account

#### Note 1 Housing Stock at 31 March 2006

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,378	2,863	5,245
2 Bedroom	2,071	2,888	1,912	6,871
3 Bedroom	8,986	312	46	9,344
4+ Bedroom	245	10	0	255
<b>Total</b>	<b>11,306</b>	<b>5,588</b>	<b>4,821</b>	<b>21,715</b>

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

Council Dwellings	£000
As at 1 April 2005	853,576
Prior year adjustment	0
Additions in Year	26,955
Disposals and Demolitions	-21,360
Revaluations in Year	-142,747
Depreciation in Year	-19,306
Impairment	-1,129
Net Book Value as at 31 March 2006	695,989

Garages	£000
As at 1 April 2005	4,905
Prior Year Adjustment	1,725
Additions in Year	595
Revaluations in Year	-814
Depreciation in Year	-205
Impairment	0
Net Book Value as at 31 March 2006	6,206

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

Other operational 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 2005	1,532,652

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.

2004/05 £000		2005/06 £000
812	Balance as at 1 April	758
18,637	Depreciation in the year	19,511
-7,551	Reversal of depreciation in excess of MRA	-7,346
-11,140	Financing of Capital Expenditure	-11,640
758	Balance as at 31 March	1,283

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 £12.165m equals the reversal of the depreciation figure shown above (£7.346m).

### **Note 4**      **Financing of Capital Expenditure**

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

	2005/06 £000
Funded by Borrowing	10,193
Capital Receipts	4,301
Revenue Contributions	0
Government Grants/Other Capital Income	1,703
Major Repairs Reserve	11,640
Cash Basis	27,837

During the year total capital receipts of £24,332,358 were received by the HRA of which £8,179,930 was available to support capital expenditure within the Housing Investment Programme overall.

### **Note 5**      **Cost of Capital Charge**

The Cost of Capital Charge of £30.047m 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.

### **Note 6**      **Depreciation**

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2005 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 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 2005 and has been calculated using the 'straight line' method over 25 years.

### **Note 7**      **Impairment**

An impairment charge of £1,129,000 has been included in respect of dwelling houses awaiting demolition (£1,394,000 in 2004/2005).

### **Note 8**      **HRA Subsidy**

2004/05 £000		2005/06 £000
22,644	Management and Maintenance	27,154
11,086	Major Repairs Allowance	12,165
6,477	Charges for Capital	6,393
0	Tenant Participating Compacts	0
0	Resource Accounting	0
-38	Interest on Receipts	-24
103	Admissable Allowance	68
-45,976	Guideline Rent Income	-50,467
-5,704		-4,711
145	Defects grant and prior year adjustments	-200
<b>-5,559</b>	<b>Subsidy Claimable</b>	<b>-4,911</b>

A major change introduced by the Local Government Act 2003 and applicable from 2004/05 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**

2004/05 £000	Rent Arrears at 31 March	2005/06 £000
936	Current Tenants	1,001
1,035	Former Tenants	1,143
1,971	As at 31 March	2,144

As at 31 March 2006, the level of rent arrears for current tenants as a proportion of gross rent income was 1.95% (1.85% 2004/05).

2004/05 £000	Bad Debt Provision in respect rent income	2005/06 £000
825	As at 1 April	932
107	Increase in Provision	95
932	As at 31 March	1027

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

2004/05 £000	Bad Debt Provision in respect of the rechargeable repairs	2005/06 £000
425	As at 1 April	683
404	Increase in Provision	299
-146	Change in the year	-232
683	As at 31 March	750

**Note 10 Amortised Premia - Debt Redemption**

The cost of debt redemption premia charged to the HRA in 2005/06 was £100,000 (£134,000 in 2004/05).

## **TRADING ACCOUNTS – SUMMARY REVENUE ACCOUNT 2005/06**

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:-

2004/05 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2005/06 Surplus (-)/ Deficit (+) £000
137	Building Works	4,681	-4,480	201
	Construction, Street Cleansing			
-23	and Landscaping	8,203	-8,374	-171
-24	Refuse Collection	4,317	-4,351	-34
45	Vehicle Maintenance	1,282	-1,210	72
-209	Property Services - Fee-billing	3,455	-3,894	-439
-13	Engineering - Fee-billing	1,619	-1,630	-11
15	Cleaning of Buildings	4,008	-4,007	1
-47	Markets	881	-1,006	-125
-43	Building Regulations Control	566	-699	-133
212	School Support Services	9,018	-9,072	-54
50		38,030	-38,723	-693

The surplus/deficit, as shown above, have not been recharged/reallocated to specific services within the accounts, and the net profit of £693,000 is disclosed within the Consolidated Revenue Account as part of Net Operating Expenditure (Note 9 to the Consolidated Revenue Account refers). This net amount incorporates a £223,000 increase on expenditure arising from the adoption of FRS 17 into the accounts.

For comparative purposes, during 2004/05 the Authority's Trading Accounts produced an overall deficit of £50,000. This figure incorporated a £344,000 increase on expenditure arising from the adoption of FRS 17 into the accounts.

**THE COLLECTION FUND****REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2006**

2004/05			2005/06		Note
£000	£000		£000	£000	
70,536		Council Tax	73,928		
0		Council Tax Prior Year Adjustments	13		
15,473	86,009	Council Tax Benefits	16,284	90,225	
	46,449	National Non-Domestic Rates		49,805	
	132,458	Total Income		140,030	
		<u>Precepts</u>			
74,235		Rotherham Borough Council	77,201		
7,681		South Yorkshire Police Authority	7,987		
3,478	85,394	South Yorkshire Fire & Civil Defence	3,616	88,804	
	1,223	Distribution of Collection Fund Surplus		1,714	
	46,138	Contribution to NNDR Pool		49,494	
		<u>Provision for Bad Debts</u>			
21		NNDR	24		
-46		Council Tax	159		
-5	-30	Community Charge	-2	181	
	290	Collection Costs - NNDR		287	
	133,015	Total Expenditure		140,480	
	557	SURPLUS (-)/DEFICIT (+) FOR THE YEAR		450	

**THE COLLECTION FUND BALANCE**

2004/05			2005/06		Note
£000			£000		
-2,888		Balance as at 1 April	-2,331		
557		Surplus (-)/Deficit (+) for the year	450		
-2,331		Balance as at 31 March	-1,881		5

Contained within the above figures for National Non-domestic Rates and Council Tax are write-offs from the accounts of £535,400 and £231,914 respectively.

## **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 2005/06 is shown below:-

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

Band	Band D Equivalents	Ratio to Band D	Collection Rate @ 97%
A	35,938	6/9	34,860
B	14,607	7/9	14,169
C	10,875	8/9	10,549
D	7,455	9/9	7,231
E	4,563	11/9	4,426
F	2,025	13/9	1,964
G	822	15/9	797
H	39	18/9	38
	76,324		74,034

### **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 £49,805,000 for 2005/06 (£46,449,000 in 2004/05) after allowing for reliefs and provisions was based on a total rateable value of £139,626,645 (£118,895,160 as at 31 March 2005) and a national multiplier of 41.5 pence in the pound (45.6 pence in 31 March 2004/05).

**Note 3. Community Charge**

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

**Note 4. Discounts**

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

**Note 5. Collection Fund Balance**

The balance on the Collection Fund at 31 March 2006 (£1,881,000) 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:-

2004/05 £000		2005/06 £000
2,031	Billing Authority - Rotherham MBC	1,630
	Major Precepting Authorities:	
205	- South Yorkshire Police Authority	173
95	- South Yorkshire Fire and Civil Defence Authority	78
2,331	Total	1,881

**Note 6. Parish Precepts**

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

**THE CONSOLIDATED BALANCE SHEET****CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006**

2004/05			2005/06		
£000	£000		£000	£000	Note
	0	<u>Intangible Assets</u>		0	2
		<u>Tangible Fixed Assets</u>			
		Operational Assets			
853,576		- Council Dwellings	695,989		
255,761		- Other Land and Buildings	258,211		
1,866		- Vehicles, Plant, Furniture and Equipment	1,973		
35,260		- Infrastructure Assets	38,503		
7,805		- Community Assets	7,971		
1,154,268			1,002,647		
48,700		Non -Operational Assets	46,223		
1,202,968		<b>Total Fixed Assets</b>	1,048,870		1
6,100		Long-term Investments	12,002		3
5,912		Long-term Debtors	6,320		
1,214,980		<b>Total Long-Term Assets</b>	1,067,192		
		<u>Current Assets</u>			
1,351		Stocks and Work in Progress	559		4
43,429		Debtors	57,132		6
0		Landfill Usage Allowances	1,880		18
30,335		Short-term Investments	57,070		
13,025		Cash in hand or at Bank	8,899		
88,140			125,540		
		<u>Current Liabilities</u>			
-59,403		Creditors	-80,292		
-366		Temporary Loans	-1,941		
-499		Deferred Liabilities	-549		7
-60,268			-82,782		
27,872			42,758		
1,242,852		<b>Total Assets less Current Liabilities</b>	1,109,950		
-164,168		Long-term Borrowing	-198,803		8
-17,448		Deferred Liabilities	-16,899		7
-7,439		Provisions	-6,990		9
-210,512		Pensions Liability	-190,783		20
-399,567			-413,475		
<b>843,285</b>		<b>TOTAL ASSETS less LIABILITIES</b>	<b>696,475</b>		

<b>CONSOLIDATED BALANCE SHEET (continued)</b>					
2004/05			2005/06		Note
£000	£000		£000	£000	
	40,781	Government Grants Deferred		54,704	19
	330	Deferred Capital Receipts		228	14
	783,128	Fixed Asset Restatement Account		572,073	19
	161,052	Capital Financing Account		185,929	19
		Capital Receipts Unapplied			
	5,376	- Usable Part		3,087	19
	6,918	Unapplied Capital Grants/Contributions		13,777	19
	-210,512	Pensions Reserve		-190,783	20
53,123		Other Reserves	54,296		
758		Major Repairs Reserve	1,283		
	53,881			55,579	17
	2,331	Collection Fund		1,881	
<b>843,285</b>		<b>TOTAL NET WORTH</b>		<b>696,475</b>	

The Council has considered its disclosures, under FRS5 – Reporting the Substance of Transactions, in respect of the Schools PFI contract. As a result the 2004/05 disclosures for Long-term Debtors and Capital Financing Account have been increased by £3.6m to reflect a prior year adjustment. Where necessary, balances have also been restated in the appropriate Notes to the Balance Sheet.

The balances brought forward for Government Grants Deferred and for Unapplied Capital Grants and Contributions have been restated from those shown in the 2004/05 Statement of Accounts due to a reclassification of Section106 receipts.

## Notes to the Consolidated Balance Sheet

### Note 1      Tangible Fixed Assets

#### (a)      Movement of Tangible Fixed Assets

##### (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 2005	919,948	279,998	11,504	41,900	7,805	1,261,155
Accumulated Depreciation & Impairment	-66,372	-24,237	-9,638	-6,640	0	-106,887
Net Book Value at 31 March 2005	853,576	255,761	1,866	35,260	7,805	1,154,268
Prior Year Adjustments	0	-14,899	0	0	-20	-14,919
<u>Movement in 2005/06:</u>						
Additions in Year	26,955	34,528	1,933	10,162	1,686	75,264
Disposals in Year	-21,360	-101	-735	0	-702	-22,898
Revaluation in Year	-142,747	-21,328	-1,183	-8,688	488	-173,458
Asset Re-classification	0	10,620	657	2,672	-1,286	12,663
Depreciation in Year	-19,306	-6,080	-565	-903	0	-26,854
Impairments	-1,129	-290	0	0	0	-1,419
Net Book Value at 31 March 2006	695,989	258,211	1,973	38,503	7,971	1,002,647

In line with the Authority's capital accounting policies, assets with major capital investment in 2004/05 were added to the asset values at cost in that year. When reviewed in the following year it was found that the value of these assets was significantly overstated. It was also found that deferred charges should not have been included in the value of the fixed assets and that some leased properties had not been included within the account balances. This has been reflected as a prior year adjustment in the Authority's 2005/06 accounts.



(ii) Non-operational Assets

	Investment and Surplus Assets Total £000	Assets under Construction Total £000	TOTAL £000
Certified Valuation at 31 March 2005	35,751	13,515	49,266
Accumulated Depreciation & Impairment	-566	0	-566
Net Book Value at 31 March 2005	35,185	13,515	48,700
Prior Year Adjustments	-37	0	-37
<u>Movement in 2005/06:</u>			
Additions in Year	241	10,875	11,116
Disposals in Year	-2,450	0	-2,450
Revaluation in Year	1,557	0	1,557
Asset Re-classification	39	-12,702	-12,663
Depreciation in Year	0	0	0
Impairments	0	0	0
Net Book Value at 31 March 2006	34,535	11,688	46,223

Investment properties are held by the authority for the purpose of generating rental income. They are classed as non-operational assets as they are not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of investment properties are industrial units and shop units.

Surplus assets are land and property which has been identified as surplus to the requirements of the authority. They are held in the land and property bank awaiting disposal.

(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 and in 2005/06 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 2006, as shown in the Asset Register, is shown in the table below:-

	2005/06
Council Dwellings	21,715
<b><u>ASSET TYPE</u></b>	
Allotments	25
Bowling Greens	11
Community Centres	89
Cemeteries (Buildings)	6
Children's Homes	5
Off Street Car Parks	24
Day Centres	10
Depots and Workshops	25
Golf Course/Pitch and Putt/Mini Golf	9
Hostels	4
Laundry	1
Learning Centre	4
Leisure Activities	5
Libraries	15
Museums and Galleries	1
Markets	1
Office Buildings	30
Pavilions	15
Public Conveniences	6
Public Halls	1
Playing Fields/Rec Grounds	34
Residential Homes	13
Nursery Schools	7
Primary Schools	77
Secondary Schools	8
Special Schools	7
Sports Centres, Fitness Suites & Swimming Pools	12
Tennis Courts	10
Theatres	1
Youth Clubs	2
<b><u>NON-OPERATIONAL ASSETS</u></b>	
Investment Property	410
Land Awaiting Development (Area - Acres)	102
Surplus Assets	22
<b><u>COMMUNITY ASSETS</u></b>	
Cemeteries (Land)	7
Civic Regalia	24
Museum Exhibits	10
Parks	18
Open Space Land	176
<b><u>INFRASTRUCTURE ASSETS</u></b>	
Bridges	10
Other Infrastructure	84
Road length (km)	1,116

(d) Capital Expenditure and Financing

2004/05 £000		2005/06 £000
205,414	Opening Capital Financing Requirement	221,603
	<u>Capital Investment</u>	
65,073	Operational Assets	75,264
3,372	Non-Operational Assets	11,116
2,351	Intangible Assets	3,741
	<u>Sources of Finance</u>	
-12,302	Capital Receipts	-16,513
-25,782	Government Grants and Other Contributions	-38,033
-16,523	Revenue Provision	-16,858
221,603	Closing Capital Financing Requirement	240,320

2004/05 £000		2005/06 £000
	<u>Explanation of movements in year</u>	
13,271	Increase in underlying need to borrow (supported by Government financial assistance)	16,394
2918	Increase in underlying need to borrow (unsupported by Government financial assistance)	2,323
16,189	Increase/(decrease) in Capital Financing Requirement	18,717

**Note 2**      **Intangible Assets**

Deferred Charges are designated Intangible Assets in line with SORP guidance. Expenditure amounting to £3,741,000 was incurred and written off to the Consolidated Revenue Account through an adjustment to the Capital Financing Account (Note 14 to the CRA refers).

2004/05 £000		2005/06 £000
0	Balance as at 1 April	0
0	Reclassification to Long Term Debtors	0
0		0
2,351	Expenditure on deferred charges	3,741
-2,351	Amounts written off to Capital Financing Account	-3,741
0	Amounts written off to other revenue accounts	0
0	Balance as at 31 March	0

### **Note 3**      **Long-Term Investments**

At the end of the year £12,000,000 of the £14,435,000 PFI grant received over the lifetime of the scheme had been invested long term, with the balance remaining invested short-term.

The balance of £1,990 represents the Council's investment in RBT (Connect) Ltd.

### **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 £559,000 as at 31 March 2006 (£1,351,000 as at 31 March 2005). The principal reason for the reduction during the year was the purchase of stock by the ALMO at the commencement of its trading activities.

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

### **Note 5**      **Capital Expenditure - Leasing**

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

The Council was committed at 31 March 2006 to making payments of £478,000 under operating leases in 2006/07, comprising the following elements:

	£000
Leases expiring in 2006/07	0
Leases expiring between 2007/08 and 2010/11	478
Leases expiring after 2010/11	0

### **Note 6**      **Debtors**

2004/05 £000		2005/06 £000
3	Ratepayers	2
45	Community Charge	44
3,213	Council Tax	4,093
1,199	Business Rates	1,030
1,971	Housing Tenants	2,144
23	Car Loans to Employees	1
41,461	Sundry Debtors	54,868
47,915		62,182
	<u>Less</u> Provision for Bad and Doubtful Debts	
-1,372	Collection Fund	-1,554
-1,615	Housing Revenue Account	-1,777
-1,499	General Fund	-1,719
-4,486		-5,050
<b>43,429</b>		<b>57,132</b>

## **Note 7**      **Deferred Liabilities**

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 80 of this Statement refers). As at 31 March 2006 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt administration amounted to £17,448,000, comprising £549,000 maturing within one year and £16,899,000 after that date.

## **Note 8**      **Long Term Borrowing**

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

2004/05 £000		%	2005/06 £000
118,118	Public Works Loans Board	2.50 - 9.625	142,753
46,050	Market Bonds	3.92 - 7.30	56,050
164,168	Total		198,803

Analysis of loans by maturity (at 31 March 2006):-

2004/05 £000		2005/06 £000
365	Maturing within 1-2 years	356
983	Maturing within 2-5 years	909
46,038	Maturing within 5-10 years	65,827
116,782	Maturing more than 10 years	131,711
164,168	Total	198,803

Long term loans maturing within one year, totalling £365,000 as at 31 March 2006 (£360,000 as at 31 March 2005) 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:-

2004/05 £000		2005/06 £000
6,901	Insurance	6,879
100	Restructuring - Housing Revenue Account	0
90	Section 11/82 Disrepair Claims - Housing Revenue Account	85
346	Section 117 Payments - Social Services	26
2	Dearne Valley Environmental Works	0
7,439	Total	6,990

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

#### Insurance

The overall Insurance Fund balance shown in the accounts (inclusive of the reserve part - see Note 17 below) is net of amounts totalling £31,006 that have been advanced internally on a short-term repayable basis.

Moving into 2006/07 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 (UK) 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 regarding internally and externally-insured risks, and hence no significant changes to the operation of the Council's Insurance Fund.

#### (a) Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers liability, up to an agreed threshold per claim. Consequently, the Authority met the first £100,000 of every settlement in 2005/06. In effect the Insurance 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) ICT Equipment

Where requested by the school, ICT equipment is insured in the Fund on an all-risks basis. Responsibility for insurance of departmental ICT equipment now rests with the Council's Strategic Partner, RBT (Connect) Ltd.

(g) Other Equipment

Where requested by the school, musical instruments, 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

### Section 11/82 Disrepair Claims – Housing Revenue Account

During 2003/04 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 2004/05 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 £26,000 is payable to those individuals overcharged prior to the Council ceasing to charge for these services.

### **Note 10**      **Capital Commitments**

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2006, 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	
Green Arbour Special School	1.254
Neighbourhoods	
Decent Homes Scheme - Swinton Phase 1	1.312
Decent Homes Scheme - Swinton Phase 1B	1.901
Decent Homes Scheme - Herringthorpe Phase 1	1.235
Decent Homes Scheme - Herringthorpe Phase 2	1.929
Economic and Development Services	
Breathing Space Programme	6.158

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



**Note 11**      **Contingent Liability - Capital Contracts**

A compensation claim was received from The Ogden Group regarding the completed capital contract for land remediation at the plant site at Manvers. The value of the claim was estimated to be £887,394 as at 31 March 2006.

Additionally, in 1992 the award of a new waste disposal contract included a clause for cost pass through claims. These are claims for the cost of upgrading landfill sites used by the Council to conform with new waste management licence standards and any legislative change to site operation applied by the Government and Environment Agency. Although the initial liability was settled, the current contract is valid until August 2008 and therefore further cost pass through claims could arise. Discussions are taking place with the current contractor to establish 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

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 authorities within England were required to implement a new pay and grading structure and one of the main principles of such a new pay and grading structure was to ensure equality of pay for female and male Local Government staff.

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 has now settled the potential claims for over 3,600 weekly paid employees at a cost of approximately £4.8m. This was achieved with the support of the local trades unions and the involvement of ACAS. (As a result of early discussion with officers of the Inland Revenue the Council was able to avoid the additional costs of tax and National Insurance contributions.)

However a number of employees refused to settle and over 270 of them have since registered their claim with a "no win no fee" solicitor and are now being processed through the Employment Tribunal procedure. The potential cost of losing these cases based on evidence from other councils could be as much as £5.0m. It should also be noted that the "no win no fee" solicitor is still actively involved in the recruitment of employees in Rotherham and the present number of cases is expected to rise.

(b) Municipal Mutual Insurance Ltd. (MMI)

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 2006 the Authority had lodged claims of £3,822,889 above the threshold giving a maximum liability under the Scheme of £754,578.

(c) Bramley Depot – Wood Preservative Leak

During 2003/04 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 2006 are as follows:-

2004/05 £000		2005/06 £000
178,673	General Fund	146,927
872,793	Housing Revenue Account	738,450
2,331	Collection Fund	1,881
1,053,797	Total excluding Pensions Reserve	887,258
-210,512	Pensions Reserve *	-190,783
843,285	Total	696,475

\* 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.

**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 2005 £	Income £	Expenditure £	Balance as at 31 March 2006 £
Treeton Council School War Memorial	400	20	0	420
EJ Butland, Treeton Infants	315	19	0	334
Whiston Two Wars Memorial	950	77	0	1,027
<b>Total</b>	<b>1,665</b>	<b>116</b>	<b>0</b>	<b>1,781</b>

**Trust Funds - Balance Sheet as 31 March**

2004/2005 £		2005/2006 £
	<b><u>Assets</u></b>	
	Investments	
58	- Treeton Council School	58
59	- EJ Butland	59
233	- Whiston Two Wars Memorial	233
350	<b>Total Investments</b>	<b>350</b>
0	Debtors	26
1,665	Cash	1,755
2,015	<b>Total Assets</b>	<b>2,131</b>
	Financed by:	
350	Fund Balance	350
1,665	Accumulated Investment Interest	1,781
2,015	<b>Total Equity</b>	<b>2,131</b>

The investments referred to above relate to War Loan Stock.

**Note 17 Reserves**

	Balance as at 1 April 2005 £000	Surplus (+)/Deficit (-) in Year £000	Transfers in and Contributions to Reserves £000	Transfers out and Contributions from Reserves £000	Balance as at 31 March 2006 £000
<b>General Fund</b>					
Total (excluding Schools)	8,672	1,143	1,109	-120	10,804
* Schools Delegated Budgets	3,111	-290	0	0	2,821
<b>Total - General Fund</b>	<b>11,783</b>	<b>853</b>	<b>1,109</b>	<b>-120</b>	<b>13,625</b>
<b>Trading</b>					
Markets	88	0	3	-72	19
Insurance	1,006	0	0	-309	697
<b>Total-Trading</b>	<b>1,094</b>	<b>0</b>	<b>3</b>	<b>-381</b>	<b>716</b>
<b>Repayable</b>					
Capital Fund	454	0	411	-865	0
Infrastructure Maintenance Fund	746	0	12	-758	0
Energy Conservation	428	0	127	-46	509
Invest to Save	490	0	202	-166	526
<b>Total - Repayable</b>	<b>2,118</b>	<b>0</b>	<b>752</b>	<b>-1,835</b>	<b>1,035</b>
<b>Other Earmarked</b>					
Libraries & Museum	100	0	9	-81	28
Rating Revaluation Refunds	0	0	914	-811	103
Corporate ICT Initiatives	434	0	844	-1,269	9
CERB	52	0	80	0	132
Maintenance of Buildings	451	0	0	-222	229
Statutory Costs	522	0	0	-134	388
Winter Conditions (Economic & Development Services)	200	0	0	-46	154
53 Week Year	758	0	167	0	925
Property Asset Bank	0	0	252	-131	121
Managed Workspace R&R	169	0	54	0	223
Local Election Fund	6	0	0	0	6
Objective 1	194	0	200	-77	317
Waste Minimisation	235	0	0	-136	99
Woodhouse Mill Nature Reserve	16	0	0	-16	0
Education Staff Absences	0	0	0	0	0
Commutation Adjustment	16,680	0	1,534	-9,700	8,514
CENT ICT Refresh	0	0	82	0	82
Pupil Retention	0	0	192	0	192
<b>Total - Earmarked</b>	<b>19,817</b>	<b>0</b>	<b>4,328</b>	<b>-12,623</b>	<b>11,522</b>

Reserves (continued)	Balance as at 1 April 2005 £000	Surplus (+)/Deficit (-) in Year £000	Transfers in and Contributions from Reserves £000	Transfers out and Contributions from Reserves £000	Balance as at 31 March 2006 £000
<u>Ring-fenced</u>					
Asylum Seekers	486	0	0	-215	271
Housing Revenue Account	6,270	4,130	31	0	10,431
Housing (Major Repairs Reserve)	758	0	19,787	-19,262	1,283
Schools' Declared Savings	1,566	0	163	-658	1,071
PFI - Schools	9,989	0	5,217	0	15,206
Landfill Allowance Trading Scheme	0	0	419	0	419
<u>Total - Ring-Fenced</u>	19,069	4,130	25,617	-20,135	28,681
<u>Total - excluding General Fund</u>	42,098	4,130	30,700	-34,974	41,954
<b>TOTAL RESERVES</b>	53,881	4,983	31,809	-35,094	55,579

\* The sum of £2,821,000 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) 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.

(ii) Market Funds - Compactors

Used to defray the cost of replacement compactors.

(iii) Insurance

That part classified as a Reserve (as distinct from a Provision - see Note 9) 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.

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 was used to advance monies to spending services on a loan repayable with interest basis to regenerate a resource for funding further expenditure. This reserve was closed on 31 March 2006.

(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. This reserve was closed on 31 March 2006.

(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

This fund was established to stimulate a number of creative and innovative developments in service delivery.

(c) Other Earmarked

(i) Libraries and Museum

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) Rating Revaluation Refunds

This reserve reflects refunds accruing to the Council for years prior to 2005/06 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.

(iii) Corporate ICT Fund

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

(iv) Pupil Retention

Funding is taken from School budgets when a pupil is permanently excluded and is used to provide educational support. Funding is then reallocated to Schools when these pupils are placed back in school. The funding is also used in a collaboration with head teachers to reduce the number of permanent exclusions.

(v) 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.

(vi) 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.

(vii) Statutory Costs

Used for any extraordinary legal costs not covered within the Revenue Budget.

(viii) Winter Conditions

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

(ix) 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 2006/07.

(x) 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.

(xi) Managed Workspace Repairs and Renewals

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

(xii) Local Elections

This reserve was set up to equalise over a four year period the annual budgetary provision required for holding Council Elections.

(xiii) 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.

(xiv) Objective One

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

(xv) Waste Minimisation

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

(xvi) CENT ICT Refresh

This reserve is to be used to replace ICT equipment at CENT@Magna when the existing equipment is no longer viable. The equipment at CENT needs to be state of the art to ensure it meets the clients requirements in a fast evolving environment.

(xvii) Woodhouse Mill Nature Reserve

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

(xiii) Commutation Adjustment

This reserve was created to provide funding in future years when the commutation adjustment becomes a cost to the General Fund. It is also used to support one off budgetary initiatives and pressures.

(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.

(v) Landfill Allowance Trading Scheme

This Reserve has been established to hold amounts required to meet future Landfill Allowance Trading Scheme liabilities.

**Note 18** **Landfill Usage Allowances**

This is the first year of the Landfill Allowance Trading Scheme (LATS), a 'cap and trade' scheme which allocates tradeable landfill allowances to each Waste Disposal Authority (WDA) in England up to its 'cap'. A WDA may use its allowance to meet its liability for its actual biodegradable municipal waste landfill usage or sell them to other WDAs.

The Council has assessed the fair value of its 2005/06 allocation of tradeable landfill allowances to be worth £1,879,800.

**Note 19 Statement of Total Movement in Reserves**

2004/05 £000		2005/06 £000
	Surplus(+)/deficit(-) for the year:	
-2,047	General Fund	853
2,531	Housing Revenue Account	4,161
	Add back Movements on specific revenue reserves	
10,783		-3,766
-5,417	Deduct appropriation from pensions reserve	15,228
	Actuarial gains and losses relating to pensions (note f)	
-99,586		4,501
<b>-93,736</b>	<b>Total increase(+)/decrease(-) in revenue resources (note a)</b>	<b>20,977</b>
	Increase(+)/decrease(-) in useable capital receipts	
3,177		-2,289
	Increase(+)/decrease(-) in unapplied capital grants and contributions	
2,061		6,859
<b>5,238</b>	<b>Total increase(+)/decrease (-) in realised capital resources (note b)</b>	<b>4,570</b>
	Gains(+)/losses(-) on revaluation of fixed assets	
396,275		-171,900
	Amounts written off for capital expenditure which does not enhance asset values - prior year adjustment	
670		-14,956
	Impairment losses on fixed assets due to general changes in prices	
0		0
<b>396,945</b>	<b>Total increase(+)/decrease(-) in unrealised value of fixed assets (note c)</b>	<b>-186,856</b>
<b>-89,023</b>	<b>Value of assets sold, disposed of or decommissioned (note d)</b>	<b>-24,199</b>
	Capital receipts set aside	
12,302		16,513
-18,014	Revenue resources set aside	-22,181
25,950	Movement on Government Grants	32,828
11,140	Movement on Major Repairs Reserve	11,640
<b>31,378</b>	<b>Total increase(+)/decrease(-) in amounts set aside to capital investments (note e)</b>	<b>38,800</b>
-128	Movement on Deferred Capital Receipts	-102
<b>250,674</b>	<b>Total recognised gains and losses</b>	<b>-146,810</b>

## Notes to the Statement in Total Movements on Reserves

### Note (a). Movement in Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Earmarked Revenue Reserves £000	Pensions Reserve £000
Surplus (+)/deficit (-) for 2005/06	853	4,161	0	0	0
Transfers in (+)/out (-) in the year	1,078	0	-1,714	-709	0
Appropriations to (+)/from (-)	-89	0	1,264	-3,596	15,228
Actuarial gains and losses relating to pensions	0	0	0	0	4,501
	1,842	4,161	-450	-4,305	19,729
<b>Balance brought forward at 1 April 2005</b>	11,783	6,270	2,331	35,828	-210,512
<b>Balance carried forward at 31 March 2006</b>	13,625	10,431	1,881	31,523	-190,783

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 2006. Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in note 20 to the Consolidated Balance Sheet.

**Note (b). Movements in realised capital resources**

	Usable Capital Receipts £000	Unapplied Capital Grants & Contributions £000
Amounts receivable in 2005/06	14,224	45,175
Amounts applied to finance new capital investment in 2005/06	-16,513	-38,316
Total increase(+)/decrease(-) in realised capital resources in 2005/06	-2,289	6,859
<b>Balance brought forward at 1 April 2005</b>	5,376	6,918
<b>Balance carried forward at 31 March 2006</b>	3,087	13,777

The balance brought forward figure for Unapplied Capital Grants and Contributions has been changed from that shown in the 2004/05 Statement of Accounts due to a reclassification of Section 106 receipts.

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 (c). Movements in unrealised value of fixed assets**

	Fixed Asset Restatement Account £000
Gains(+)/losses(-) on revaluation of fixed assets in 2005/06	-171,900
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Amounts written off for capital expenditure which does not enhance the asset values 2005/06 - prior year adjustment	-14,956
Total increase(+)/decrease(-) in unrealised capital resources in 2005/06	-186,856
<b>Note (d) Value of assets sold, disposed of or decommissioned</b>	
Amounts written off for deferred liability (Metropolitan Debt)	499
Amounts written on for PFI long term debtor	650
Amounts written off fixed asset balances for disposals in 2005/06	-25,348
Total movement on reserve in 2005/06	-211,055
<b>Balance brought forward at 1 April 2005</b>	783,128
<b>Balance carried forward at 31 March 2006</b>	<b>572,073</b>

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 (e). Movements in amounts set aside to finance capital investment**

	Capital Financing Account £000	Government Grants Deferred £000	Total £000
Capital receipts set aside in 2005/06			
- reserved receipts	0	0	
- useable receipts applied	16,513	0	
<b>Total capital receipts set aside in 2005/06</b>	<b>16,513</b>	<b>0</b>	<b>16,513</b>
Revenue resources set aside in 2005/06			
- capital expenditure financed from revenue	0	0	
- capital expenditure financed from reserves	122	0	
- reconciling amounts for provisions of loan repayments	-22,303	0	
<b>The revenue resources set aside in 2005/06</b>	<b>-22,181</b>	<b>0</b>	<b>-22,181</b>
Grants applied to capital investment in 2005/06	22,741	15,292	
Major Repairs Reserve applied	11,640	0	
Creation and writing down of PFI deferred consideration	-95		
Amounts credited to the asset management revenue account in 2005/06	0	-1,369	
Amount written out in year	-3,741	0	
<b>Movement on Government Grants Deferred</b>	<b>30,545</b>	<b>13,923</b>	<b>44,468</b>
<b>Total increase (+)/decrease (-) in amounts set aside to finance capital investment</b>			<b>38,800</b>
Total movement on reserve in 2005/06	24,877	13,923	
<b>Balance brought forward at 1 April 2005</b>	<b>161,052</b>	<b>40,781</b>	
<b>Balance carried forward at 31 March 2006</b>	<b>185,929</b>	<b>54,704</b>	

The balance brought forward figure for Government Grants Deferred has been changed from that shown in the 2004/05 Statement of Accounts due to a reclassification of Section 106 receipts.

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. The grants will be released to offset depreciation charged in respect of those fixed assets.

**Note (f). Actuarial gains and losses relating to pensions**

The actuarial gains and losses identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

2002/03		2003/04		2004/05			2005/06	
£000	%	£000	%	£000	%		£000	%
-88,905	30.1	43,749	12.0	21,124	5.1	Difference between the expected and actual return on assets	67,068	14.0
0	0.0	0	0.0	-12,675	2.0	Difference between actuarial assumptions about liabilities and actual experience	-8,066	1.2
0	0.0	0	0.0	-108,035	17.4	Changes in the demographic and financial assumptions used to estimate liabilities	-54,501	8.1
<b>-88,905</b>		<b>43,749</b>		<b>-99,586</b>		<b>Net Gain(+)/Loss(-)</b>	<b>4,501</b>	

**Note 20 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 4 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:-

2004/05		2005/06
£m		£m
-622.0	Estimated Liabilities in Scheme	-671.4
411.5	Estimated Assets in Scheme	480.6
<b>-210.5</b>	<b>Net Asset (+)/Liability (-)</b>	<b>-190.8</b>

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £190,783,000 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 £696,475,000. 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:-

2004/05			2005/06	
Start of Year	End of Year		Start of Year	End of Year
2.8%	2.9%	Rate of Inflation	2.9%	2.9%
4.3%	4.65%	Rate of Increase in Salaries	4.7%	4.65%
2.8%	2.9%	Rate of Increase in Pensions	2.9%	2.9%
6.3%	5.4%	Rate for discounting Scheme Liabilities	5.4%	4.9%

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

2004/05			2005/06	
Start of Year	End of Year		Start of Year	End of Year
7.5%	7.5%	Equities	7.5%	7.0%
4.7%	4.7%	Government Bonds	4.7%	4.3%
5.5%	5.4%	Bonds	5.4%	4.9%
6.5%	6.5%	Property	6.5%	6.0%
4.0%	4.8%	Other	4.8%	4.5%

#### Proportion of Assets Held by the Fund

2004/05			2005/06	
Start of Year	End of Year		Start of Year	End of Year
63.6%	62.8%	Equities	62.8%	64.9%
17.1%	18.2%	Government Bonds	18.2%	15.1%
6.2%	6.7%	Bonds	6.7%	7.8%
9.9%	10.4%	Property	10.4%	10.7%
3.2%	1.9%	Other	1.9%	1.5%

Analysis of the Market Value of Assets as at 31 March 2006

2004/05 £m		2005/06 £m
258.4	Equities	311.9
74.9	Government Bonds	72.6
27.5	Bonds	37.5
42.8	Property	51.4
7.9	Other	7.2
411.5	Total	480.6

The movement in the net pension liability for the year ended 31 March 2006 is as follows:-

2004/05 £m		2005/06 £m
-105.5	Net Pension Liability as at 1 April	-210.5
	Movement in the Year:	
-18.8	Current Service Cost	-19.3
19.1	Employer Contributions	20.4
-0.6	Past Service Cost/Curtailment Cost	20.8
-5.1	Net Interest/Return on Assets	-6.7
-99.6	Actuarial Gain (+) or Loss (-)	4.5
-210.5	Net Pension Liability as at 31 March	-190.8

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 21**      **Investments - Related Businesses and Companies**

The Council is required to disclose information regarding its investment in businesses and companies. The information below discloses not only this information but also details of other bodies which may not necessarily meet the definition of an investment but which the Council considers will be useful to a reader of the accounts.



(i) RBT (Connect) Limited

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

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 accounts for the company for the year ending 31 March 2006 were unavailable and the details shown below, extracted from the company's draft statement for the year ending 31 March 2006, are the most up to date available.

31 March 2005 £000		31 March 2006 £000
25,955	Turnover	26,710
0	Profit before taxation	0
0	Profit after taxation	0
13	Net assets	25

During the financial year RBT (Connect) Limited provided services worth £28.098m to the Council, £14.703m of which was due under the terms of the partnership contract. At the 31 March 2006 a sum of £132,004 was payable by RBT (Connect) Ltd to the Council and £3,054,556 was owed from the Council to RBT (Connect) Ltd.

(ii) 2010 Rotherham Ltd

In November 2004 the Council established 2010 Rotherham Ltd, a company limited by guarantee. It is an Arms Length Management Organisation (ALMO) that is entirely owned by the Council and set up to manage and improve housing stock. It is a non profit organisation which has taken on the day to day responsibility of managing, repairing and improving the neighbourhoods of Rotherham.

For the period ended 31 March 2006, its first year of operation, 2010 Rotherham Ltd declared a surplus of £243,000.

During the financial year the Council paid a management fee of £7.527m to 2010 Rotherham Ltd whilst the company purchased services from the Council totalling £2.857m. As at 31 March 2006 a sum of £460,730 was payable by 2010 Rotherham Ltd to the Council and £1,077,947 was owed from the Council to 2010 Rotherham Ltd.

(iii) 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.

The share capital of the company is as follows:

Authorised	£2.213 million
Issued and fully paid	£1.850 million

Council's Shareholding: -

- 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.
- For dividend purposes – the Council holds 3.5% of the company's £1 class 'C' shares – no voting rights are attached to these shares.
- 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 2005 were unavailable and the details shown below, extracted from the company's draft statement for the year ending 31 December 2005, are the most up to date available.

31 December 2004 £000		31 December 2005 £000
14,517	Turnover	16,701
1,760	Profit (+)/loss(-) before taxation	1,674
1,678	Profit (+)/loss(-) after taxation	1,569
5,785	Net Assets	7,354

Any distribution of dividends for 2005 including any receipts by Rotherham Metropolitan Borough Council are currently undeclared (2004 – £14,679 received in 2005/06).

During the financial year ended 31 December 2005, the company provided waste disposal services to the Authority to the value of £3.301m (2004 - £3.989m).

A copy of the accounts of the company may be obtained from Mr J Bolton. Ground Floor West, 900 Pavillion Drive, Northampton Business Park, Northampton, NN4 7RG.

(iv) 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 ending 31 March 2006. 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 2006.

Building Learning Communities Ltd provided services to the Authority to the value of £4,598 (2004/05 - £0).

(v) 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 2006 were unavailable and the details below are the most up to date available.

31 March 2005 £		31 March 2006 £
2,995,846	Turnover	
52,919	Surplus (+)/Deficit (-) for the year	See note above
1,097,749	Net Assets	

Rotherham Metropolitan Borough Council's contribution to the company during 2005/06 was nil (2004/05 - nil).

Creswell Groundwork Trust provided services to the Authority to the value of £18,391 (2004/05 - £8,401).

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

(vi) 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 of five directors appointed by members, with the Council able to nominate one, and up to six co-opted directors.

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

The details shown below are extracted from the company's statement of accounts for the year ending 31 March 2006.

31 March 2005 £		31 March 2006 £
2,741,916	Turnover	2,201,252
-6,871	Surplus (+)/Deficit (-) for the year	13,372
296,188	Net Assets	309,560

Rotherham Metropolitan Borough Council's contribution to the company during 2005/06 was £60,000 (2004/05 - £60,000).

Groundwork Dearne Valley Limited continued to receive payroll services from the Authority during 2005/06 and provided services to the Authority to the value of £428,510 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.

(vii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to 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 2006 were unavailable and the details below are based on the company's draft accounts for the year ending 31 March 2006.

31 March 2005 £		31 March 2006 £'000
3,235,240	Turnover	3,609,784
-2,252,578	Surplus (+)/Deficit (-) for the year	-1,703,605
26,084,520	Net Assets	24,380,915

During the financial year ended 31 March 2006, the company provided services to the Authority to the value of £205,094. A loan for £70,000, issued to Magna Trust in 2003/04, was still outstanding as at 31 March 2006.

(viii) 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 audited accounts for the company for the year ended 31 July 2005 were unavailable. Figures for 31 July 2005 are the organisations latest draft figures.

31 July 2004 £		31 July 2005 £
5,244,881	Income	6,564,545
162,366	Surplus for the year	223,012
2,421,882	Net Assets	2,997,761

Rotherham MBC did not make a contribution to the running costs of this company during 2005/06 (2004/05 – Nil).

During the financial year ended 31 March 2006, the company provided services to the Authority to the value of £61,314.

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.

(ix) 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 accounts for the company for the year ended 31 March 2006 were unavailable and the details below are the most up to date available.

31 March 2005 £		31 March 2006 £
4,937,290	Turnover	
136,237	Profit before taxation	See note above
136,237	Profit after taxation	
1,071,348	Net Assets	

Rotherham Borough Council's grants and contribution to the company during 2005/06 was £405,073 (2004/05 - £405,073).

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

(x) 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.

The details shown below are extracted from the company's statement of accounts for the year ending 31 March 2006.

31 March 2005 £		31 March 2006 £
7,616,712	Income	6,223,168
2,350	Surplus on Ordinary Activities before Taxation	661
0	Results for the Financial Year	0

Rotherham MBC did not make a contribution to the running costs of this company during 2005/06.

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

(xi) 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 details shown below are extracted from the company's statement of accounts for the fifteen months ending 31 March 2006.

Rotherham MBC did not make a contribution to the running costs of the company in 2005/06 (2004/05 - Nil).

31 December 2005 £		31 March 2006 £
1,752,348	Turnover	860,573
-200,861	Profit (+)/loss (-) before taxation	-62,694
-201,420	Profit (+)/loss (-) after taxation	-62,694
82,962	Net Assets	20,268

A copy of the accounts of the company may be obtained from Mr P Bradbury, 12 The Crofts, Snail Hill, Rotherham S60 2DJ.

(xii) Rotherham Community Resource Programme

The objective of this company is to "promote the reduction of crime and the fear of crime in the Rotherham Metropolitan Borough 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, 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 2006 were unavailable and the details shown below are the most up to date available.

31 March 2005 £		31 March 2006 £
586,393	Turnover	
(11,536)	Surplus/(Deficit) for the	See note above
211,686	Net Assets	

Rotherham MBC made a contribution of £158,356 to the business during 2005/06 (2004/05 - £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.

(xiii) 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 2005/06 (2004/05 - nil).

At the time of publication of this Statement accounts for the company for the year ending 31 March 2006 were unavailable and the details shown below are the most up to date available.

31 March 2005 £		31 March 2006 £
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 Keepmoat Plc, Heavens Walk, Doncaster, DN4 5HZ.

(xiv) 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, North East Lincolnshire Council, North 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 and 2006 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 direct contribution to the running costs of this company during 2005/06.

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 22**      **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.

#### **Note 23**      **Section 106 Receipts**

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held by the Council during the year were as follows:

2004/05 £000		Income £000	Expenditure £000	2005/06 £000
0	Dinnington Colliery Site - Highways works	2,312	-182	2,130
0	Highfield Lane, Waverley	154	-150	4
0	Other - General Fund	182	-32	150
525	HRA	29	0	554
525	Total	2,677	-364	2,838

#### **Note 24**      **Authorisation**

This Statement of Accounts is authorised to be issued.



Executive Director of Finance: .....

27/9/06

Date: .....

## **METROPOLITAN DEBT ADMINISTRATION**

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

2004/05 £000	<b><u>Capital Account</u></b>	2005/06 £000
12,207	Cash Overdrawn 1 April	9,427
0	Add: Expenditure in the year - Loans repaid	0
12,207		9,427
0	Less income:	
0	Loans raised	5,000
2,780	Repayments by Relevant Authorities	3,058
9,427	Cash Overdrawn 31 March	1,369

2004/05 £000	<b><u>Revenue Account</u></b>	2005/06 £000
7,359	Interest Paid on Outstanding Loans	7,227
299	Management and other expenses	302
7,658		7,529
7,658	Less: Charged to Relevant Authorities	7,529
0		0

2004/05 £000	<b><u>Balance Sheet as at 31 March</u></b>	2005/06 £000
	Capital Liabilities	
100,500	Loans Outstanding	105,500
9,427	Cash Overdrawn	1,369
109,927		106,869
	Capital Assets	
109,927	Advances Outstanding	106,869
109,927		106,869

### **Notes to the Metropolitan Debt Administration Accounts and Balance Sheet**

#### **Note 1 Leasing Fund**

The Metropolitan Leasing Administration Fund, operated by the Council since the abolition of South Yorkshire County Council, has been wound up during 2005/06. All the assets have been disposed of all costs fully recharged to the constituent

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2006**

2004/05			2005/06	
£000	£000		£000	£000
		<b>REVENUE ACTIVITIES</b>		
		Cash Outflows:		
277,955		Cash paid to and on behalf of employees	279,861	
228,632 *		Other Operating Costs	259,975	
14,811		Housing Benefit paid out	15,419	
46,463		National non-domestic rate payments to pool	49,551	
12,963		Precepts paid	13,511	
18533	599,357	Payments to Capital Receipts Pool	16,152	634,469
		Cash Inflows:		
-21,078		Rents (after rebates)	-20,942	
-70,402		Council Tax Income	-73,377	
-69,688		National non-domestic rates receipts from pool	-83,822	
-45,368		National non-domestic rate income	-47,731	
-153,594		Revenue Support Grant	-152,684	
-14,003 **		DWP Housing Benefit Grant	-15,327	
-135,887 **		Other Government Grants	-142,946	
-90,572		Cash received for Goods and Services	-108,510	
-19,675	-620,267	Other Operating Cash Receipts	-14,797	-660,136
		<b>SERVICING OF FINANCE</b>		
		Cash Outflows:		
	12,355	Interest Paid		12,313
		Cash Inflows:		
	-2,644	Interest Received		-2,189
	-11,199	Net Revenue Cash Outflow(+)/Inflow(-)		-15,543
		<b>CAPITAL ACTIVITIES</b>		
		Cash Outflows:		
70,796		Purchase of Fixed Assets	90,120	
6,100	76,896	Purchase of Long Term Investments	8,000	98,120
		Cash Inflows:		
-33,883		Sale of Fixed Assets	-30,275	
		Sale of Long term investment	-2,100	
-17,212		Capital Grants Received	-27,491	
-8,043	-59,138	Other Capital Income	-9,112	-68,978
	6,559	Net Cash Outflow(+)/Inflow(-)		13,599
		<b>ACQUISITIONS AND DISPOSALS</b>		
	0	Investment in Associates or Joint Ventures		2
		Net Cash Outflow(+)/Inflow(-) Before Financing		13,601
		<b>MANAGEMENT OF LIQUID RESOURCES</b>		
-10,707		Net increase/decrease in short term deposits	26,735	
0	-10,707	Net increase/decrease in other liquid resources	0	26,735
		<b>FINANCING</b>		
		Cash Outflows:		
	132,629	Repayments of amounts borrowed		95,340
		Cash Inflows:		
		New Loans Raised	-35,000	
-132,280	-132,280	New Short Term Loans	-96,550	-131,550
	-3,799	Cash decrease(+)/increase(-)		4,126

\* The 2004/05 figure has been adjusted to correct a typographical error in the published 2004/05 Statement of Accounts

\*\* These figures have been restated to reflect a change in disclosure of Council Tax Benefit Grant receipts.

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

	£000
Cash in hand as at 31 March 2006	8,899
<u>Less</u>	
Cash in hand as at 31 March 2005	13,025
Cash decrease (-)/increase (+) in 2005/06	-4,126

**Note 2**      **Government Grants**

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

	£000	£000
<u>Revenue</u>		
Standards Fund	23,741	
Early Years & Child Care Development	2,802	
European Grants	2,152	
Single Regeneration Budget	3,002	
Mental Health - Children and Adults	1,064	
Promoting Independence	997	
Children's Quality Protects	72	
Housing Subsidies	55,935	
PFI	6,222	
Other	46,959	
		142,946
<u>Capital</u>		
Derelict Land Grant	561	
Improvement Grants	540	
Standards Fund	2,658	
Yorkshire Forward Single Pot	4,790	
Housing Pathfinder Grant	11,966	
Objective 1	2,006	
National Lottery Grant	449	
Single Regeneration Budget	387	
Department of Health	1,006	
Sure Start	2,934	
Other	194	
		27,491
<b>Total</b>		<b>170,437</b>

**Note 3**      **Movement in Net Debt**

	£000
Cash decrease (-)/increase (+) in 2005/06	4,126
Less:	
Net Cash Outflow (+)/Inflow (-) Before Financing	13,601
Cash decrease (+)/Increase (-) from Movement in Net Debt	-9,475
<b><u>Analysis of Decrease/(Increase) in Net Debt</u></b>	
Public Works Loans Board	-24,635
Bonds	-10,000
Annuities	0
Temporary Loans	-1,575
Investments	26,735
	-9,475
Net Debt at 1 April 2005	134,198
Less:	
Net Debt at 31 March 2006	143,673
Decrease (+)/Increase (-) in Net Debt	-9,475

**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
Surplus per Consolidated Revenue Account		-853
<b><u>Items on an accrual basis:</u></b>		
Decrease in Stocks and Work-in-Progress	-792	
Increase in Debtors	13,703	
Increase in Creditors	-20,889	
		-7,978
<b><u>Other items</u></b>		
Minimum Revenue Provision	4,602	
Capital Expenditure charged to Revenue	0	
Decrease in Collection Fund Balance	450	
Contribution to Provisions and Reserves	-1,249	
Other non cash transactions	-10,515	
		-6,712
Net Revenue cash outflow (+)/inflow (-)		-15,543

The movement on debtors and creditors as shown above 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.

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2006**

2004/05 Net Expenditure £000		2005/06			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
2,241	Central Services to the Public	3,221	-1,322	1,899	
1,272	Court and Probation Services	373	-13	360	
24,777	Cultural, Environment & Planning Services	52,711	-24,638	28,073	
150,663	Education Services	251,624	-87,643	163,981	
10,521	Highways, Roads & Transport Services	12,914	-2,313	10,601	
5,989	Housing Services	144,636	-140,694	3,942	
67,885	Social Services	111,573	-34,135	77,438	
5,633	Corporate & Democratic Core	6,063	-604	5,459	
1,835	Non Distributed Costs	1,270	-22,001	-20,731	
0	Exceptional Items	7,290	0	7,290	
<b>270,816</b>	<b>NET COST OF SERVICES</b>	<b>591,675</b>	<b>-313,363</b>	<b>278,312</b>	
1,581	Parish Council Precepts			1,694	
15,370	County and Other Levies			15,935	
-96	Surplus (-)/Deficit (+) on Trading operations, including dividends from other companies			-358	
12,395	Interest Payable			13,397	
0	Tax Payable			46	
325	Cost of the repurchase of borrowing			158	
18,533	Contribution to Housing Pooled Capital Receipts			16,152	
-2,647	Interest & Investment Income			-2,570	
0	Prior year adjustment re set up of ALMO			-796	
5,140	Pensions interest cost and expected return on pension assets			6,853	
<b>321,417</b>	<b>NET OPERATING EXPENDITURE</b>			<b>328,823</b>	

<b>GROUP INCOME AND EXPENDITURE ACCOUNT (continued)</b>			
2004/05 Net Expenditure £000		2005/06 Net Expenditure £000	Note
321,417	Brought forward	328,823	
2,531	Surplus (+)/Deficit (-) transferred to (+)/from (-) HRA	4,161	
-7,551	Contributions to (+)/from (-) Housing Reserves	-7,346	
0	Contributions to (+)/from (-) Insurance Reserve	0	
11,152	Contribution to (+)/from (-) Other Earmarked Reserves	-3,743	
-2,910	Contribution to (+)/from (-) Capital Reserves	-6,128	
1,159	Capital expenditure financed from Revenue	0	
-18,533	Transfer from Usable Capital Receipts	-16,152	
-5,417	Contribution to (+)/from (-) the pensions reserve	15,637	
<b>301,848</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS</b>	<b>315,252</b>	
-153,594	Revenue Support Grant	-152,684	
-8,213	PFI Grant Support	-6,222	
-69,688	National Non-Domestic Rate redistribution	-83,822	
-74,235	Demand on Collection Fund	-77,201	
-1,000	Transfer to (+)/from (-) Collection Fund in respect of surpluses/deficits	-1,500	
<b>-4,882</b>	<b>NET GENERAL FUND SURPLUS (-)/DEFICIT (+)</b>	<b>-6,177</b>	
-10,441	Balance on General Fund brought forward	-11,783	
-3,389	Reclassification/Transfers	-989	
<b>-18,712</b>	<b>GENERAL FUND BALANCE CARRIED FORWARD</b>	<b>-18,949</b>	
-3,111	General Fund balance attributable to school budgets	-2,821	



**GROUP ACCOUNTS CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006**

2004/05			2005/06		Note
£000	£000		£000	£000	
	0	<u>Intangible Assets</u>		756	
		<u>Tangible Fixed Assets</u>			
		Operational Assets			
853,576		- Council Dwellings	695,911		
255,761		- Other Land and Buildings	258,211		
1,866		- Vehicles, Plant, Furniture and Equipment	1,973		
35,260		- Infrastructure Assets	38,503		
7,805		- Community Assets	7,971		
1,154,268			1,002,569		
48,700		Non -Operational Assets	46,223		
	1,202,968	<b>Total Fixed Assets</b>		1,048,792	
	6,100	Long-term Investments		12,000	
	5,912	Long-term Debtors		6,320	
	1,214,980	<b>Total Long-Term Assets</b>		1,067,868	
		<u>Current Assets</u>			
1,351		Stocks and Work in Progress	1,312		
43,429		Debtors	58,591		
0		Landfill Usage Allowance	1,880		
30,335		Short-term Investments	57,070		
13,025		Cash in hand or at Bank	8,597		
88,140			127,450		
		<u>Current Liabilities</u>			
-59,403		Creditors	-82,152		
-366		Temporary Loans	-1,941		
-499		Deferred Liabilities	-549		
-60,268			-84,642		
	27,872			42,808	
	1,242,852	<b>Total Assets less Current Liabilities</b>		1,110,676	
-164,168		Long-term Borrowing	-198,803		
-17,448		Deferred Liabilities	-16,899		
-7,439		Provisions	-6,990		
-210,512		Pensions Liability	-200,826		
	-399,567			-423,518	
<b>843,285</b>		<b>TOTAL ASSETS less LIABILITIES</b>		<b>687,158</b>	

**GROUP ACCOUNTS CONSOLIDATED BALANCE SHEET (continued)**

2004/05			2005/06		Note
£000	£000		£000	£000	
	40,781	Government Grants Deferred		54,704	
	330	Deferred Capital Receipts		228	
	783,586	Fixed Asset Restatement Account		573,509	
	161,052	Capital Financing Account		185,929	
		Capital Receipts Unapplied			
	-2,011	- Usable Part		-3,112	
	6,918	Unapplied Capital Grants/Contributions		13,777	
	-210,512	Pensions Reserve		-200,826	
60,052		Other Reserves	59,785		
758		Major Repairs Reserve	1,283		
	60,810			61,068	
	2,331	Collection Fund		1,881	
<b>843,285</b>		<b>TOTAL EQUITY</b>		<b>687,158</b>	

**GROUP ACCOUNTS STATEMENT OF TOTAL MOVEMENT IN RESERVES**

2004/05 £000		2005/06 £000
	Surplus(+)/deficit(-) for the year:	
4,882	General Fund	6,177
2,531	Housing Revenue Account	4,161
	Add back Movements on specific revenue reserves	-10,530
10,783		
-5,417	Deduct appropriation from pensions reserve	15,637
-99,586	Actuarial gains and losses relating to pensions	-5,951
<b>-86,807</b>	<b>Total increase(+)/decrease(-) in revenue resources</b>	<b>9,494</b>
-4,210	Increase(+)/decrease(-) in useable capital receipts	-1,101
2,061	Increase(+)/decrease(-) in unapplied capital grants and contributions	6,859
<b>-2,149</b>	<b>Total increase(+)/decrease (-) in realised capital resources</b>	<b>5,758</b>
396,275	Gains(+)/losses(-) on revaluation of fixed assets	-171,900
670	Amounts written off for capital expenditure which does not enhance asset values - prior year adjustment	-14,956
0	Impairment losses on fixed assets due to general changes in prices	0
<b>396,945</b>	<b>Total increase(+)/decrease(-) in unrealised value of fixed assets</b>	<b>-186,856</b>
<b>-88,565</b>	<b>Value of assets sold, disposed of or decommissioned</b>	<b>-23,221</b>
12,302	Capital receipts set aside	16,513
-18,014	Revenue resources set aside	-22,181
25,950	Movement on Government Grants	32,828
11,140	Movement on Major Repairs Reserve	11,640
<b>31,378</b>	<b>Total increase(+)/decrease(-) in amounts set aside to capital investments</b>	<b>38,800</b>
-128	Movement on Deferred Capital Receipts	-102
<b>250,674</b>	<b>Total recognised gains and losses</b>	<b>-156,127</b>

**GROUP ACCOUNTS CASH FLOW STATEMENT FOR THE PERIOD ENDED 31  
MARCH 2006**

2004/05			2005/06	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows:		
277,955		Cash paid to and on behalf of employees	293,266	
228,632 *		Other Operating Costs	243,193	
14,811		Housing Benefit paid out	15,419	
46,463		National non-domestic rate payments to pool	49,551	
12,963		Precepts paid	13,511	
18,533	599,357	Payments to Capital Receipts Pool	16,152	631,092
		Cash Inflows:		
-21,078		Rents (after rebates)	-20,942	
-70,402		Council Tax Income	-73,377	
-69,688		National non-domestic rates receipts from pool	-83,822	
-45,368		National non-domestic rate income	-47,731	
-153,594		Revenue Support Grant	-152,684	
-14,003 **		DWP Housing Benefit Grant	-15,327	
-135,887 **		Other Government Grants	-142,946	
-90,572		Cash received for Goods and Services	-104,751	
-19,675	-620,267	Other Operating Cash Receipts	-14,797	-656,377
		SERVICING OF FINANCE		
		Cash Outflows:		
	12,355	Interest Paid		12,313
	-2,644	Cash Inflows:		
	-11,199	Interest Received		-2,189
		Net Revenue Cash Outflow(+)/Inflow(-)		-15,161
		CAPITAL ACTIVITIES		
		Cash Outflows:		
70,796		Purchase of Fixed Assets	90,042	
6,100	76,896	Purchase of Long Term Investments	8,000	98,042
		Cash Inflows:		
-33,883		Sale of Fixed Assets	-30,275	
0		Sale of Long term investment	-2,100	
-17,212		Capital Grants Received	-27,491	
-8,043	-59,138	Other Capital Income	-9,112	-68,978
	6,559	Net Cash Outflow(+)/Inflow(-)		13,903
	0	ACQUISITIONS AND DISPOSALS		
	6,559	Investment in Associates or Joint Ventures		0
		Net Cash Outflow(+)/Inflow(-) Before Financing		13,903
		MANAGEMENT OF LIQUID RESOURCES		
-10,707		Net increase/decrease in short term deposits	26,735	
0	-10,707	Net increase/decrease in other liquid resources	0	26,735
		FINANCING		
	132,629	Cash Outflows:		
		Repayments of amounts borrowed		95,340
		Cash Inflows:		
0		New Loans Raised	-35,000	
-132,280	-132,280	New Short Term Loans	-96,550	-131,550
	-3,799	Cash decrease(+)/increase(-)		4,428

\* The 2004/05 figure has been adjusted to correct a typographical error in the published 2004/05 Statement of Accounts

\*\* These figures have been restated to reflect a change in disclosure of Council Tax Benefit Grant receipts.

## **Notes to the Group Accounts**

The 2005 SORP requires local authorities to consider all their interests in entities and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates and joint ventures. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity.
- Assess the nature of the relationship between the Council and the entity.
- Determine on the grounds of materiality whether group accounts should be prepared.

Having considered its involvement with all companies and organisations, including those listed in Note 21 to the Consolidated Balance Sheet: Investments - Related Businesses and Companies, Group accounts have been prepared which incorporate only the results of 2010 Rotherham Ltd, a wholly owned subsidiary, and RBT (Connect) Limited, an associate of which the Council owns 19.9%.

2010 Rotherham Ltd was formed on 19 May 2005 and is accounted for on acquisition basis for the year to 31 March 2006.

The investment in RBT (Connect) Limited was made on 17 April 2003 and is shown on the Related Parties section of the accounts. The post tax profit of this company for the year to 31 March 2005 was £3k and therefore the Council's share was deemed to be immaterial. Set up costs were written off as they were incurred and given the current low return on the investment and the time elapsed since that investment was made, it has been decided not to treat these costs as Goodwill on Acquisition with amortisation over the twelve years of the contract. Instead they continue to be treated as having been written off when incurred. No adjustments to the Council's accounts as originally published for the year to 31 March 2005 have therefore been made. For the year to 31 March 2006, the equity method of accounting would be adopted, but since RBT's pre tax profit was £18k, the Council's share was again considered to be immaterial and no adjustments have been shown in the group accounts.

### **1 Statement of Accounting Policies**

2010 Rotherham Ltd has adopted the same accounting principles as the Council. As far as can be ascertained, there are no material differences between the accounting principles of RBT (Connect) Limited and the Council.

### **2 Group Consolidated Revenue Account**

The Group Consolidated Revenue Account has been prepared incorporating the results of 2010 Rotherham Ltd after having eliminated Intra group unrealised profits amounting to £243,000.

In addition, adjustments have been made, as shown below, to reflect Goodwill arising on Acquisition and amortisation thereof. The Prior Year Adjustment of £796,000 refers to 2010 Rotherham Ltd Set up costs incurred in 2004/05.

The management fee of £7,527,000 paid by the Council to 2010 Rotherham Ltd has been eliminated on consolidation.

Taxation shown of £46,000 arises on the profits of £243,000 of 2010 Rotherham Ltd.

### **3 Group Consolidated Balance Sheet**

#### Intangible Assets

	£000
Goodwill arising on Acquisition	946
Amortisation – over 5 years	-190
Balance at 31 March 2006	<u>756</u>

#### Tangible Assets

Operational Assets are as shown in the Notes to the Consolidated Balance Sheet, except Council dwellings which have been shown net of Intra Group unrealised profit based on work amount to £78,000.

#### Current Assets and Liabilities

At 31 March 2006 2010 Rotherham Ltd owed the Council £1,562,000 and was owed £1,078,000 by the Council. These balances have been eliminated on group consolidation.

#### Pensions Liability

The Pensions liability of 2010 Rotherham Ltd at 31 March 2006 was £10,043,000.

### **4 Group Statement of Total Movements in Reserves**

The above changes to the CRA have been reflected in the Statement of Total Movement in Reserves.

### **5 Group Cash Flow Statement**

The increase in the Cash outflow over the Council's Cash Flow Statement reflects the overdraft of 2010 Rotherham Ltd of £1,083,000.

## **ROTHERHAM MBC STATEMENT OF INTERNAL CONTROL (SIC) AND BROADER GOVERNANCE STATEMENT 2005/06**

### **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 Management
- 3.9 Capacity and Capability
- 3.10 Internal Audit Function
- 3.11 External Audit and Statutory Inspection
- 3.12 Corporate Governance Group
- 3.13 Information Governance
- 3.14 Complaints

### **4 REVIEW OF EFFECTIVENESS**

- 4.1 Corporate Governance Review /System of Internal Control Database (including testing the effectiveness of the revised (2006) Local Code of Corporate Governance)
- 4.2 Policy Alignment
- 4.3 Financial Management
- 4.4 Human Resources (Capacity, Workforce and Member Development)
- 4.5 Performance Management
- 4.6 Risk Management
- 4.7 Internal Audit
- 4.8 Monitoring Officer
- 4.9 Financial Regulations
- 4.10 Comprehensive Performance Assessment
- 4.11 Complaints
- 4.12 Information Governance

## **5 SIGNIFICANT INTERNAL CONTROL ISSUES**

- 5.1 Follow up on 2004/05 significant internal control issues
- 5.2 Significant internal control issues arising from the 2005/06 review of the effectiveness of the system of internal control
  - 5.2.1 RBT(Connect) Ltd
  - 5.2.2 ALMO
  - 5.2.3 Adult Social Services
  - 5.2.4 Partnership Governance

## **6 LEADER AND CHIEF EXECUTIVE STATEMENT OF ASSURANCE**



## **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 2006 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**

Council decisions are scrutinized by a number of Scrutiny Panels, overseen by a Performance and Scrutiny Overview Committee. Financial systems and procedures, and external and internal audit requirements and reports are overseen by an Audit Committee for which enhanced terms of reference in line with best practice have recently been agreed. Codes of Conduct for Members and Officers are monitored by the Standards Committee. The Standards Committee comprises Councillors and external Members. It is cross-party (2 Labour, one Conservative, one Independent). It has a majority of non-Council Members, including both the Chairman and Vice-Chairman."

### **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 and Democratic Services as Monitoring officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations.

### **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.

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 and 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 Council 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. This ensures the Council aims to comply with the highest standards of governance.

### **3.6 Risk Management Framework**

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which Heads of Service are actively managing.

### **3.7 Performance Management Framework**

The Council operates a Performance Management Framework, which assists Councillors, 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.

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

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

### **3.8 Financial Management**

The financial management of the Council is conducted in accordance with the rules set out in the Constitution and Financial Regulations. The Council has designated the Executive Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has in place a 3-year Medium Term 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 Executive Director of 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 each service area monitors and manages its spending and income to remain within the allocated Budget.

Asset Management Planning optimises the utilisation of assets in terms of service benefits and financial return.

### **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 is responsible for monitoring the quality and effectiveness of systems of internal control and, where relevant, making recommendations for improvement. The implementation of recommendations is subsequently checked by Internal Audit to ensure improvements are secured.

As part of the audit review cycle Internal Audit undertakes a programme of reviews that cover the main financial systems of the Council. The work in these areas is examined by the Council's External Auditor's who place reliance upon this work when auditing the Council's annual accounts.

### **3.11 External Audit and Statutory Inspection**

Each year an Audit and Inspection Plan is produced by the Council's External Auditor, KPMG, and the Audit Commission's Relationship Manager. The plan sets out the audit work that KPMG and the Audit Commission propose to undertake and is drawn up from a risk based approach to audit planning. The plan reflects:

- The Council's 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 who report the results of their work in an Annual Audit Letter.

### **3.12 Corporate Governance Group**

A Corporate Governance Officer and Cabinet Member Group reviews compliance with governance standards to ensure the Council continues to adopt emerging best practice.

The group also considers Strategic Risk Management issues and liases with an Operational Risk Management Group.

### **3.13 Information Governance**

Procedures are in place to comply with the Freedom of Information Act 2000, the Data Protection Act 1998 and Article 8 of the Human Rights Act and to ensure a good standard of Information Security.

### **3.14 Complaints**

The Council has robust internal complaints procedure, stage 3 of which is chaired by a panel of 3 independent Members. Our complaints process is being integrated in to the Customer Relationship Management system.

## **4 REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Following the full scale reviews undertaken in 2004/05 further review work has been undertaken in all key areas during 2005/06:

### **4.1 Corporate Governance Review using the SIC Database including testing the effectiveness of the revised (2006) Local Code of Corporate Governance**

For 2005/06, a full Corporate Governance Assessment utilising the Council's SIC Database Package has been undertaken. The Local Code of Corporate Governance that was fundamentally reviewed in March 2005 has been improved further in 2006 to reflect good Partnership Governance. This has been followed up with a Test of Effectiveness of the Governance arrangements of around 150 key partnerships.

Signed Statements of Assurance have been obtained from Executive Directors regarding:

- Compliance with Council Policies and Objectives
- Risk Management and Financial Management arrangements

### **4.2 Policy Alignment**

We have refreshed our strategic policy framework putting in place a new Community Strategy, Corporate Plan and service plan framework, ensuring alignment and a continuous thread running throughout to help ensure focus.

We have introduced the annual Year Ahead Statement to help translate our medium to longer-term goals into near-term actions to help assure sustained progress on almost a month-by-month basis.

We have closely aligned our service and financial planning processes, workforce planning and development is becoming increasingly embedded within those systems.

### **4.3 Financial Management**

Our financial position is strong, and we hold some £50 million in reserves. We have improved our approach to the management of those reserves by setting targets for the levels of each reserve over the period 2006/07 to 2009/10.

We continue to draw down high levels of external funding (£100 million in the last 2 years) whilst planning for the expiry of major funding streams through our External Funding Strategy and by ensuring clear exit strategies for individual externally funded projects.

Our track record in terms of managing within budget is very good – our spend against budget has been well within 1% over the last 3 years.

Financial capacity has also been strengthened with the recent appointment of a new Executive Director of Finance, and progress has been recognised by our external auditors. In addition, we have made some key senior appointments in the areas of governance, internal audit and finance.

Our track record on achieving value for money is strong. The Audit Commission rated us 3 out of 4 on VFM in our Use of Resources assessment 2005. Our overall Use of Resources score was 3 out of 4.

We are also carrying out a series of targeted base budget reviews to assess the VFM delivered by selected services, and to consider whether the current service configurations remain appropriate to meeting current and expected future service needs.

#### **4.4 Human Resources (Capacity, Workforce and Member Development)**

We have invested heavily in our staff. Modern HR practices are now in place across the Council and continue to be developed in line with the corporate workforce strategy, completed in 2005, streamlining the 12 action plans previously in place. The strategy sets out how we intend to Improve – Leadership, - Organisation – Resourcing, - Skills and Capacity - Pay and Reward. Our work is now quoted as an example of best practice and we are one of the finalists in the Municipal Journal Awards 2006 – Pay and Workforce Achievement Award.

We achieved Investors in People in 2003, and retained the standard in Summer 2005 through an internal assessment process, and at external validation were praised for our achievements.

#### **4.5 Performance Management**

Our increasing focus on performance in recent years is evidenced by our excellent CPA direction of travel:

- 2003/2004 – 63% key indicators improved, rated one of the top 10 most improved councils
- 2004/2005 – 70% key indicators improved, rated as improving strongly – one of the top 8 in the country
- 2005/2006 – over 70% key indicators show improvement this year.

To target resources more effectively at priority areas, performance reporting has been streamlined with the introduction of the nationally-recognised Performance Plus system in 2005 which helps us to build a comprehensive and accurate picture of how the Council is performing, particularly against the Community Strategy priorities.

All external audit and inspection recommendations are tracked centrally and form part of the quarterly reporting to CMT, Audit Committee and Scrutiny. Currently, 86% of recommendations are on track for implementation.

## **4.6 Risk Management**

Our approach to risk management is comprehensive and effective. Our risk management strategy has been directly aligned to our corporate priorities for the last 2 years and is well embedded.

We have learned from external assessment by the Audit Commission. By 2005, we had implemented 17 of the 18 recommendations arising from the 2004 audit.

During 2005/2006, we have undertaken further training on risk management with our Cabinet, Audit Committee, Scrutiny, Heads of Service and Programme Area risk champions.

Separate risk registers are maintained for our major partnerships, including RBT, 2010 Rotherham Ltd and the Rotherham Construction Partnership.

## **4.7 Internal Audit**

During 2005/06 the Council's external auditors, KPMG, carried out a review of Internal Audit measuring performance in relation to the CIPFA Standards. This assessment concluded overall that KPMG could rely on the work of Internal Audit. It showed that 7 out of 10 of the CIPFA Standards have been achieved. It is however recognised that further work is required to consolidate the improvement which has been achieved to date and to focus on addressing the remaining outstanding issues.

## **4.8 Monitoring Officer**

Revised Terms of Reference for the Audit Committee have been approved. Work is ongoing on changes to the Scheme of Delegation, principally in the areas of Adult Social Services and Children and Young People's Services, to replace former structures. There have been other changes to Delegated Powers during the year.

The Council has had a further look at the working of Area Assemblies and the Monitoring Officer is engaged in drafting new wording for the Constitution to cover this.

The Monitoring Officer has reviewed all complaints made against Elected Members to the Standards Board for England during a 12 month period and reported upon this to the Standards Committee.

External training on the Code of Conduct was commissioned and delivered early in 2006 to Elected Members. Training on the Code for new Elected Members was delivered immediately following the election.

In response to a recommendation of the External Auditor following consideration of the use of resources self-assessment, the Monitoring Officer took a report to Audit Committee and Standards Committee recommending publicity in appropriate cases for proven cases of fraud.

## 4.9 Financial Regulations

The Council's Financial Regulations were rewritten in 2004/05 and modelled on CIPFA best practice. This user friendly approach has been built upon in 2006 with the provision of 'guidance notes' which explain and promote best practice. Specific improvements have been made to Debt Collection arrangements.

## 4.10 Comprehensive Performance Assessment

In just over 3 years, we have moved from being rated as "weak" in the CPA 2003 round, to being rated as "good" (score 3) and improving strongly (score 4) in CPA 2005.

Rotherham was cited as Case Study 1 in the Audit Commission's December 2005 National CPA Report:

*"RMBC has delivered significant improvements to services for the public in line with its priorities. The council is working effectively in partnership with other agencies to support local communities and businesses..."*

Internal control issues form a significant part of the CPA for the Use of Resources Key Lines of Enquiry. In the 2005 CPA assessment the elements relating to Internal Control were scored 3 (out of 4) – ie Consistently performing above minimum requirements – performing well.

## 4.11 Complaints

For 3 consecutive years the Local Government Ombudsman has not issued any reports of maladministration and our performance in responding to complaints within 10 days has improved from 72% to over 90%.

During 2005/06 consultation was carried out with customers, partners and staff to review and set customer care standards, using questionnaires and good practice forms. The review also took into account how we could learn from other Local Authorities and private organisations by benchmarking our standards against their published standards. Following this work a new Corporate Complaints system "Complaint, Compliment and Comment" has been introduced.

## 4.12 Information Governance

During 2005/06, key players have been formed into an Information Governance Group to ensure the Council better meets its obligations under various legislation, regulations and guidance covering Data Protection, Freedom of Information, Records Management, Human Rights and Information Security.

An external audit by a consultant was commissioned of responses to Freedom of Information requests, following one year's operation. 87% of the indicators measured were rated as satisfactory or above so it can be said that overall compliance is good. In particular, the auditor reported favourably on the procedures and guidance available to staff, the training which has taken place, and the publication scheme.



## **SIGNIFICANT INTERNAL CONTROL ISSUES**

### **5.1 Follow up on 2004/05 significant internal control issues**

The issues raised in the 2004/05 SIC have been addressed as follows:

- Considerable progress has been made to improve financial management in terms of capacity and leadership. This is recognised by the Audit Commission. The CIPFA FM Model is being implemented in 2006.
- Accounting for derelict land grant income and the use of holding accounts has been reviewed during 2005/06 and as part of the quality assurance work carried out on the 2005/06 Accounts.
- We have raised risk management awareness through further training with our Cabinet, Audit Committee, Scrutiny, Heads of Service and Programme Area risk champions.
- Through the use of Performance Plus we have improved the presentation of performance information by providing regular one page scorecards on each priority theme that illustrate performance in a simple format. This has been well-received by Members and senior officers. We have also improved the accuracy of data quality, which has improved to such an extent that none of our PIs were qualified last year and only minor amendments were made.
- This year, our ALMO – established in May 2005 – was rated 2 stars, enabling access to £330 million to implement phase 2 of the Decent Homes Standards. However, following an external audit there are a number of control issues arising. These are referenced below in paragraph 5.2.2.
- Significant steps were taken in 2005/06 to bring the Culture and Leisure budget into balance. An action plan has been produced to ensure longer term sustainability.
- During 2005/06 the Payroll internal control environment was again found to be inadequate. Internal Audit found only limited progress had been made to address the control issues identified during 2004/05. Following this year's audit, the Council's partner contractor, RBT, has now agreed an action plan to address the outstanding issues. Internal Audit is actively monitoring progress in this regard.
- Old uncollectible debt has been written out of the accounts. Financial Regulations have been amended to improve Debt Collection arrangements.
- The resourcing of FOI commitments still requires further development in order to maintain and improve the current service.

## **5.2 Significant internal control issues arising from the 2005/06 review of the effectiveness of the system of internal control.**

### **5.2.1 RBT (Connect) Limited**

In 2005 External Audit carried out a review of the governance arrangements for managing RBT (Connect) Ltd. Two main areas were identified, where, although good progress was being made, further work was still necessary to bring about the full implementation of recommendations. These were the:

- resolution of affordability issues to do with staff transfers to Rotherham Connect and
- ongoing negotiations with RBT over the implementation of updated service level agreements for each work stream.

Since the audit was carried out progress has been made in resolving these issues through negotiation. The expected completion date is November 2006.

### **5.2.2 ALMO**

The ALMO achieved 2 Stars in the 2005/06 external inspection. However, the service was graded as having 'uncertain prospects for improvement' because:

- there were significant areas where the organisation had yet to articulate its own future direction and was dependent on the wider strategies of the Council;
- there was an over-reliance on support from the strategic landlord;
- financial management arrangements did not demonstrate that the ALMO was independent of the Council.

In response to the findings, leadership and direction has been strengthened and specific strategies are being developed in areas including IT, human resources, value for money, procurement and equalities and diversity.

### **5.2.3 Adult Social Services**

Adult Social Services was overspent by £1 million in 2005/06 against the latest approved budget. The position was only finalised after the financial year end. The areas to strengthen were mainly in residential and domiciliary care services. The Council is reviewing the systems and procedures in place to ensure that issues are identified on a more timely basis and to promote effective decision making.

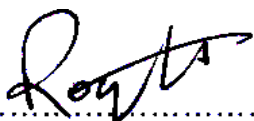
## 5.2.4 Partnerships Governance

The Council's Local Code of Corporate Governance was completely overhauled in 2005 and has been improved further in 2006 in respect of Partnership Governance. This has been followed up with a Test of Effectiveness of the Governance arrangements of around 150 key partnerships. The Council is involved in many more relationships and further assurance work is being undertaken. This will include an annual review of Partnerships to ensure governance arrangements are still appropriate.

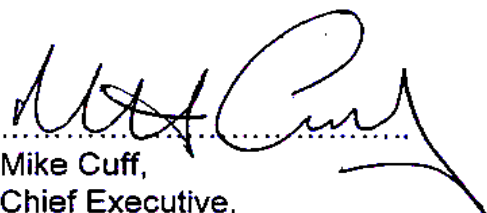
## 6 Leader and Chief Executive Statement of Assurance

We are satisfied, that apart from those matters in section 5 above requiring further action, corporate governance arrangements are adequate and are operating effectively.

We propose over the coming year to take steps to address any outstanding matters to further improve 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**

### **Opinion on the financial statements.**

We have audited the financial statements of Rotherham Metropolitan Borough Council and its Group for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Consolidated Revenue Account, the Collection Fund, the Metropolitan Debt Administration Account, the Housing Revenue Account, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Rotherham Metropolitan Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Rotherham Metropolitan Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Rotherham Metropolitan Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditors.**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the statement on internal control 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. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its Groups as at 31 March 2006 and its income and expenditure for the year then ended.



KPMG LLP  
Chartered Accountants  
Leeds

27 September 2006

## **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.

<b>Terms used:</b>	<b>Definition of Terms:</b>
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"> <li>• One party has direct or indirect control of the other party:</li> <li>• 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.</li> </ul>

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.