

Statement of Accounts 2006/07



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Metropolitan Borough of Rotherham Statement of Accounts 2006/07

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director of 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 26 September 2007.

Signed on behalf of Rotherham MBC

Chair of the meeting T. P. Wardle

Date 26.9.07

The Strategic Director of Finance's Responsibilities

The Strategic 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 Strategic 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 Strategic 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.

Strategic 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 2007 and its income and expenditure for the year then ended.

Signed A. A. Bedford

A A Bedford, BA(Hons), CPFA

Date 26/9/07

Foreword By The Strategic Director Of Finance

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2007 and shows its overall financial position at the end of that period.

The Statement (except if otherwise stated) is prepared in accordance with the Accounting Codes of Practice, and the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority are set out in the section of this report headed 'Statement of Accounting Policies' (Page 14). Specifically, the Council's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts comprises:

- **An Explanatory Foreword (Page 2)** – which details the most significant matters reported in the accounts
- **A Statement of Accounting Policies (Page 14)** – which details the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements
- **Statement of Responsibilities for the Statement of Accounts (Page 1)** – which details the respective responsibilities of the Authority and its chief financial officer for the accounts

- **The Accounting Statements And Related Disclosure Notes** – which are explained in Section 2 of the foreword.

The Statement of Accounts produced for 2006/07 is substantially changed from that produced in 2005/06 and earlier years. In the past, the focus of the Authority's financial statements was the Consolidated Revenue Account (CRA), which had the dual role of setting out the Authority's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against council tax in the year.

The new accounting statements required by the SORP disaggregates the CRA and the old Statement of Total Movements on Reserve (STMR) to produce a set of statements each with a single clear objective. Section 2 of the foreword provides a brief explanation of each statement, their purpose and the relationship between them.

To comply with proper accounting practices, the 2006/07 Statement of Accounts requires the performance statements in the 2005/06 accounts (CRA and STMR) to be restated to follow the new SORP format. In addition, the following SORP accounting changes have been introduced:

- Gains and losses on disposal of fixed assets are required to be recognised in the Income and Expenditure (IE) Account
- Capital financing charges for the use of fixed assets are no longer made to the service revenue accounts, support services or trading accounts
- Credits for government grant deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.

2 The Accounting Statements

The Authority's accounting statements comprise:

- The 'core' financial statements grouped together
- The supplementary single entity financial statements that are relevant to the function of the Authority
- The Group Accounts

The core financial statements comprise the following accounting statements which are grouped together with their relevant disclosure notes, which follow after:

Income and Expenditure (IE) Account (Page 21)

- this Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last financial year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance (Page 22)

- the IE Account shows the actual financial performance for the financial year. However the Authority is

required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the government is recorded as a cost in the IE Account, but is in reality met from usable capital receipts rather than the council tax
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned

The General Fund Balance compares the Council's spending against the council tax raised for that year; taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the IE Account and the General Fund Balance.



Statement of Total Recognised Gains and Losses (STRGL – Page 23) – this Statement brings together all the gains and losses of the Council for the year and shows the aggregate of its net worth.

The Balance Sheet (Page 24) – this Statement shows the Council's overall financial position as at 31 March 2007 in terms of its assets and liabilities.

The Cash Flow Statement (Page 26) – this Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The supplementary accounting statements comprise the following statements and are relevant to the Authority's functions:

- **The Housing Revenue Account (HRA) Income and Expenditure Account (Page 75)** – this Account summarises the IE in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account (Page 82)** – by statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.
- **Metropolitan Debt Administration (Page 85)** – 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 charge the four district councils and joint boards within the South Yorkshire area.

For a variety of reasons 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 Authority's 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 those organisations considered to form part of the group with those of the Council. The Group Accounts comprise:

- **Group Income and Expenditure Account (Page 86)**
- **Group Statement of Total Recognised Gains and Losses (Page 87)**
- **Group Balance Sheet (Page 88)**
- **Group Cash Flow Statement (Page 90)**

General Fund Services - For 2006/07 Rotherham Metropolitan Borough Council set a Revenue Budget of £197.863m before the budgeted Private Finance Initiative grant of £6.222m and support through use of balances of £6.249m.

The actual outturn of £193.764m (before PFI grant of £6.222m) meant the Council used £2.150m (net) of general balances. The overall position is summarised below:-

2005/06				2006/07		
Original Estimate £m	Actual £m	Variance £m		Original Estimate £m	Actual £m	Variance £m
323.781	322.928	-0.853	Total Net Expenditure	197.863	193.764	-4.099
-4.046	-3.193	0.853	Contributions to (+)/from (-) Balances	-6.249	-2.150	4.099
319.735	319.735	0.000	Spending	191.614	191.614	0.000
1.694	1.694	0.000	Add Parish Council Precepts	1.820	1.820	0.000
321.429	321.429	0.000	Total	193.434	193.434	0.000
			Funded by:			
152.684	152.684	0.000	Revenue Support Grant	15.813	15.813	0.000
83.822	83.822	0.000	Share of NNDR Pool	81.918	81.918	0.000
6.222	6.222	0.000	PFI Grant	6.222	6.222	0.000
78.701	78.701	0.000	Receipts from Collection Fund	83.232	83.232	0.000
321.429	321.429	0.000	Total	187.185	187.185	0.000

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 £4.099m below the approved Budget and the principal reasons for this variation were as follows:

- An increase in schools delegated balances (£1.508m)
- Savings against Directorate's cash-limited budgets: Neighbourhoods General Fund (£0.193m), Adult Social Services (£0.236m) and Culture & Leisure Services (£0.313m)
- Unbudgeted income under the Local Authority Business Growth Incentive Scheme (£0.707m)
- Savings through Treasury Management activities (£1.207m)

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 2007, there is a sum of £5.372m relating to School Delegated Budget arrangements as follows:-

2005/06 £m		2006/07 £m
1.071	Schools' Declared Savings	1.043
2.821	Unspent Schools' Budgets	4.329
3.892	Total	5.372

Housing Revenue Account Income and Expenditure Account

To ensure compliance with the Statement of Recommended Practice (SORP) for 2006/07, the Housing Revenue Account is now presented as

- a) an Income and Expenditure Account; and
- b) a Statement of Movement on the Housing Revenue Account balance.

This has necessarily involved the restatement of the 2005/06 accounts to provide a means of comparison with 2006/07 figures. The restated Income and Expenditure Account for 2005/06 reflected a deficit on HRA Services of £4.732m, prior to the net additional amount (required by statute) to be credited to the HRA balance for the year. The sum of £8.893m was credited to the HRA balance to produce an overall increase in the Housing Revenue Account balance of £4.161m. The sum credited principally reflects transfers involving:

- a) the gains/losses on the sale of HRA assets
- b) the Major Repairs Reserve and
- c) the Capital Financing Account

For 2006/07, the Income and Expenditure Account reflects a surplus on HRA services of £2.905m, prior to the adjustment to the HRA balance for the year. The surplus is due principally to the lower Depreciation and Impairment calculation, requiring an adjustment in respect of the Major Repairs Reserve. The sum of £4.745m has been debited to the HRA balance to produce an overall reduction in the HRA balance of £1.840m. The sum debited reflects a number of transfers

- a) the transfer to the Major Repairs Reserve
- b) gains/losses on the sale of HRA assets
- c) transfer from the Capital Financing Account and
- d) Capital Expenditure financed from Revenue (£2.0m).

The Housing Revenue account showed a reduction in the HRA balance of £1.840m during 2006/07; compared with a budgeted increase of £0.070m, this represented an adverse variance of £1.910m.

The principal expenditure variance was an overspend of £2.415m on the Repairs and Maintenance headings. This included works undertaken by 2010 Rotherham Ltd, and centred largely on additional spending on both Emergency Responsive repairs and Ad Hoc Voids maintenance. The 2010 Rotherham Ltd element overspent by approximately £2.545m:

- a) Cyclical programme £0.219m (underspend)
- b) Responsive and associated works £2.764m (overspend)

Managed budgets (including Estates management, Housing Needs and Area Housing Panels) underspent by approximately £0.130m.

Income from Dwelling Rents represented an adverse variance of £0.245m; whilst the number of Right to Buy sales fell during the year, leading to additional levels of income, this was offset by a significant rise in the number of Void dwellings throughout the year. Additionally, spending on Supervision and management headings within the HRA exceeded budgets by approximately £0.023m.

Against this, lower costs of HRA external borrowing, due to more beneficial longer-term rates, were realised (favourable movement of £0.285m).

Favourable resolutions of prior year HRA Subsidy claims (net £0.170m) and lower levels of bad debts provision involving tenants' rechargeable repairs were also realised (favourable movement against budget of £0.200m).

Additionally, higher levels of HRA notional interest receivable on balances (£0.040m), together with lower costs of debt management (£0.030m) and net increases in fees and charges (£0.048m) due largely to increased take-up of the Furnished Homes scheme, complete the principal HRA movements in the year.

Trading Services

The Authority's Trading Services generated a net deficit of £0.033m in 2006/07 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/outurn 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 Income and Expenditure Account. A section on Trading Services (Page 31) is included later within this Statement of Accounts.

3 Capital Spending and Borrowing in 2006/07

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 2006/07 amounted to £122.389m and comprised the following:

	2006/07 Actual £m
Children & Young People	14.434
Neighbourhoods	
- Housing Investment Programme Element	60.491
- General Fund Element	6.690
Environment & Development Services	35.228
Culture and Leisure	.966
Social Services – Adults/Strategic	1.790
Corporate Services	2.790
Total	122.389

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

	2006/07 £m
Loans	64.138
Major Repairs Allowance (MRA)	5.179
Grants	22.342
Capital Receipts	10.308
Other External Sources	16.521
Internal Funds (e.g. Reserves, Capital Fund, etc)	2.101
Cash Basis	120.589
Capital Accruals	1.800
Total	122.389

(c) Major items of capital expenditure incurred during 2006/07 are shown below:-

	2006/07 £m
<u>Non Housing</u>	
Green Arbour School Classroom Replacement	1.798
Kelford Classroom Replacement	0.637
Children and Young People's Centres	1.794
Longdendale	0.924
Dinnington Colliery Redevelopment	0.966
West Bawtry Road/Whiston Crossroads	0.963
Great Eastern Way	2.270
Todwick Road Improvements	0.901
Derelict Land Reclamation – Plant Site Contract	0.924
Flood Alleviation Scheme	3.848
Westgate Acquisitions	1.075
Swinton Customer Care Centre	0.665
Breathing Space Project	6.721
Magna Business Incubation Centre	1.274
Magna Conference Centre	2.456
Extra Care Housing – Queensacre	0.789
Older People's Accommodation Modernisation Strategy	0.729
ICT Strategy	2.603
<u>Housing</u>	
Disabled Facilities Grants – Private Sector	1.973
Disabled Adaptations – Public Sector	2.896
Housing Pathfinder Projects	3.295
Wharncliffe Flats	1.521
Decent Homes Standard – Phase 1	7.050
Decent Homes Standard – Phase 2	42.244
District Heating Conversions	1.448
Replace Boilers containing Asbestos	2.329

(d) The Council's borrowing activities during 2006/07 are summarised below:

Long Term Borrowing

2005/06 £m		2006/07 £m
164.168	Balance as at 1 April	198.803
	Plus:	
35.000	New long-term borrowing	77.543
-0.365	Re-classified as temporary borrowing (repayable in following financial year)	0.000
198.803	Balance as at 31 March	276.346

The Council's operational boundary for external debt for the year was £381.842m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £484.270m.

Temporary Borrowing

2005/06 £m		2006/07 £m
0.366	Balance as at 1 April	1.941
	Plus:	
96.550	New temporary borrowing	134.537
0.365	Re-classified from long-term borrowing	0.000
97.281		136.478
	Less:	
-94.980	Repayments in the year	-136.108
-0.360	Repayment of prior year's reclassified long-term borrowing	-0.365
-95.340		-136.473
1.941	Balance as at 31 March	0.005

4 Housing Major Repairs Allowance (MRA)

The Major Repairs Allowance (MRA) is an element of subsidy which 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 to progress estate-based Regeneration. Flexibility exists to spend MRA resources outside the financial year in which they are allocated, thus enabling more efficient planning of future works.

For 2006/07, Rotherham MBC received £12.190m in MRA, which was added to the balance of £1.283m brought forward from 2005/06. During the year, several sources of funding were utilised in financing the Capital Programme, including ALMO borrowing and Revenue Contributions from the HRA. The impact of these additional resources allowed a smaller contribution to be made from the major repairs allowance (£5.179m), leaving a balance of £8.294m to be carried forward into 2007/08 within the Major Repairs Reserve (MRR).

5 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.

6 Private Finance Initiatives

Schools

By the 31 March 2007, all of the 15 schools which are part of the PFI scheme have been completed in line with the original programme. 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.

Sport and Leisure Facilities

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 3 new combined swimming pools and dry leisure centres, one stand alone swimming pool and a joint service centre. The Authority has been awarded £24.954m of PFI Credits to support the scheme. DC Leisure Management Ltd were appointed preferred bidder on this contract in March 2006. The contract was signed off on 7 June 2007.

Bereavement Services Partnership

The Council appointed Dignity Funerals Limited as preferred bidder on the Bereavement Services Partnership in April 2007. This is a partnership that is being developed to improve the provision of bereavement services to the Rotherham public, with significant investment to be undertaken on the crematorium facility and the wider East Herringthorpe site. Negotiations with Dignity Funerals Ltd will continue throughout the summer of 2007, with contract signature expected in autumn 2007.

7 Arms Length Management Organisation (2010 Rotherham Ltd)

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 Rotherham Ltd.

8 Pensions

This Statement incorporates the full effect of FRS 17 – 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 Balance Sheet of £157.068m, which is an improvement of £33.715m on the position as at 31 March 2006. 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.

9 Outlook

Rotherham Council remains committed to serving the people of Rotherham well and to making the very best use of our resources for the benefit of everyone. In recognition of this the Council was awarded a score of 4 out of 4 for its Use of Resources service block within its Corporate Performance Assessment (CPA).

For 2007/08 the Council's Revenue Budget has been set at £190.208m, in addition the Dedicated Schools Grant (DSG) provides £163.422m to fund schools. The Council will also continue to benefit from a share of other external funding streams.

In setting this Budget the Council has ensured that:

- Funding is secured for those budget pressures identified as highest priority and that available resources are harmonised with priorities
- Corporate priorities are aligned with those of our partners, including health, police and local business, community and voluntary organisations
- The public's priorities for service delivery have been taken into consideration
- Financial planning supports the delivery of these agreed priorities.

Over coming months the Council will publish an updated Medium Term Financial Strategy (MTFS) which reflects the revised corporate priorities and in particular models the financial implications of the proposed Priority A capital projects and the outcomes of the national Comprehensive Spending Review and Lyons Enquiry.

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

Looking to the future the Council is:

- Continuing to use reserves and balances to establish sustainable budgets for the medium to longer terms with strategies for investment in services that free up resources from lower priorities to support the key Council Priorities
- Integrating revenue budget strategy and capital investment strategy in order to deliver an ambitious programme of investment in the regeneration of the Borough
- Exploring and developing new methods of service delivery through strategic partnerships, service commissioning, and enterprise in order to maximise customer satisfaction and value for money
- Implementing strategies for fees and charging that align with Council priorities
- Refining systems and processes to increase control over the use of resources ensuring high levels of stewardship and ensuring best use of public funds in line with agreed priorities
- Continuing its drive for greater levels of efficiency
- Continuing to be committed to setting the local Council Tax on the basis of limiting increases to the minimum level consistent with protecting investment in key services for the people of Rotherham, and ensuring a stable and sustainable strategy for the Council Tax
- Making a positive difference to the wellbeing of the people of Rotherham

The Council is committed to becoming an “excellent” council and it is working to continue to deliver improvements in services and to strengthen the links between performance and financial management.

The Council's Medium Term Financial Strategy (MTFS) takes this forward, reflecting both corporate priorities and our determination to keep the Council Tax as low as possible for all Rotherham residents.

Rotherham is on the threshold of major large scale developments which will have a major impact on the life of the Borough. Many of these complex developments will take several years to complete and become fully operational.

The Council has a major capital programme in the region of £176.2m for 2007/08 with more than half relating to Neighbourhoods and Adult Social 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

Strategic Director of Finance

Building work has begun on the £35 million Renaissance project – an exciting 25-year programme that will change the face of Rotherham Town Centre.



Introductory Statements Statement of Accounting Concepts and Policies



1 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 2006 – 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), except where these conflict with specific accounting requirements so that the Authority's accounts present fairly the financial position and transactions of the Authority.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed the reason and effect have been disclosed. The accounting policies of the Authority have been approved by the Council's Audit Committee.

As stated in the foreword, the Statement of Accounts has been recompiled. The Consolidated Revenue Account (CRA) has been replaced by the Income and Expenditure Account, and the Balance Sheet is the new name for the Consolidated Balance Sheet. These, together with the new Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses, and the Cash Flow (not amended) form the Core Financial Statements. These are now grouped together with their notes following immediately thereafter.

Comparative figures have been altered to reflect the new format.

The major elements of the Code in relation to this Authority's accounts for 2006/07 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 provision of Council services 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 Core Financial Statements (Note 17).

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 Core Financial Statements (Note 17).

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.

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

- (i) the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.47% higher (7.69% lower 2005/06 - restated) after the replacement of employer's contributions with current service costs. Net Operating Expenditure is 2.04% higher (2.17% higher 2005/06 - restated) 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 15.80% (23.04% in 2005/06 - restated).

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 on a percentage basis

- The costs of office accommodation are pooled and recharged to services on the basis of floor area occupied
- Corporate and Democratic Core (CDC) comprising Democratic Representation and Management (DRM) and Corporate Management (CM)
- Non Distributed Costs (NDC) e.g. 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 Income and Expenditure 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 Income and Expenditure 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 de minimis to the financial position of the Authority. Where such expenditure is incurred, it is written off to the Fixed Asset Restatement Account (FARA) in the year.

Where expenditure above the £10,000 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.

Any deficit arising from the revaluation of assets that is due to impairment rather than a change in the market value is charged to the net cost of services in line with the Code of Practice.

3.3 Capital Charges for use of Fixed Assets -

Services are charged for all assets used in the provision of services. This incorporates an annual provision for depreciation and impairment, where appropriate. They are calculated on the net value of assets at 1 April.

a) Capital Financing Charge (Notional Interest)

In accordance with the 2006 SORP notional interest is no longer calculated.

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 100 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.

3.4 Intangible Fixed Assets - Intangible Fixed Assets comprise expenditure which may properly be capitalised, but do not produce tangible fixed assets, for example, Improvement Grants. The Council has a policy of transferring all such expenditure together with any associated capital grant to Revenue in the same year.

3.5 Long-term Debtors - Expenditure resulting from - premia incurred on the premature redemption of debt is classified as a long-term debtor and 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 Capital Financing Account using the following principles:

- a) over the estimated useful life of the asset in order to match the depreciation charged on the asset; and
- b) for non-depreciable assets (for example, land and investment properties) the grants are released in the year they are used for funding.

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 Core Financial Statements (Note 28). 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 Income and Expenditure 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 will be treated in accordance with the provisions of current Government legislation. 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 and 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 Balance Sheet and those based on SSAP 9 is not considered to be material.

4.2 Investments - Any investments within the 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 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 Core Financial Statements (Note 37).

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 Core Financial Statements (Note 41).

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 to the Council (asset) or there is probability of a payment or transfer of economic benefits from the Council (liability).

5.4 Provision for Bad or Doubtful Debts - Amounts shown as due from debtors are adjusted for doubtful debts and known uncollectible debts are written off to the appropriate service accounts.

6 Group Accounts

6.1 - The 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 Initiative

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 in 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 Income and Expenditure Account as incurred. Under the Capital Financing regulations payments made under PFI arrangements are classified as expenditure for capital purposes, and the Authority makes a transfer to the Capital Financing Account to reverse the amounts charged to the Income and Expenditure Account.

8.3 Central Government PFI Grant Support is shown in the Income and Expenditure Account under the section "Sources of Finance".

9 Landfill Allowance Trading Scheme

9.1 - Allowances held will be recognised and classified as current assets, their value being initially measured at fair value.

9.2 - Landfill allowances are issued free by DEFRA and the fair value of the allowances is a Government grant which will be accounted for under SSAP 4 Accounting for Government Grants.

9.3 - The liability arising from actual landfill usage will be recognised in the Balance Sheet.

9.4 - Re-measurement of landfill allowances will be carried out on a lower of cost and net realisable value basis.

Main Financial Statements and Notes to the Core Financial Statements

Income and Expenditure
Account

Statement of Movement on
the General Fund Balance

Statement of Total
Recognised Gains
and Losses

Balance Sheet

Cash Flow Statement

Notes to the Core
Financial Statements

CLIFTON HOUSE



Clifton House

Clifton House was built between 1762 and 1766 by John
Robertson (1728-82) with the support of Sir Robert
Ponsonby, 1st Baronet.

The architect was John Carr (1768-1815), who was
employed by Robertson. Carr designed the house in
the Palladian style, which was popular in the 18th
century. The house was built for the Ponsonby
family and was one of the first houses in Clifton
to be built in the Palladian style.

The house was built on the site of a 17th-century
house which was destroyed by fire. The house was
built on the site of a 17th-century house which was
destroyed by fire. The house was built on the site
of a 17th-century house which was destroyed by
fire.



John Carr



John Robertson



Rochester &
Kent
National Trust



Clifton House
Trust

Income And Expenditure Account 2006/07

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day to day expenses and related income on an accrual basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2005/06				2006/07	
Net Cost £000		Gross Expenditure £000	Gross Income £000	Net Cost £000	Note
1,903	Central Services to the Public	4,031	-1,506	2,525	
418	Court and Probation Services	363	-5	358	
21,166	Cultural, Environment and Planning Services	61,946	-39,503	22,443	
157,695	Education Services	272,659	-255,153	17,506	
11,230	Highways, Roads & Transport Services	16,484	-5,423	11,061	
3,018	Housing Revenue Account	73,060	-82,689	-9,629	
-1,840	Other Housing Services	71,805	-68,253	3,552	
76,706	Social Services	119,457	-35,708	83,749	
5,334	Corporate & Democratic Core	8,362	-2,987	5,375	
-19,476	Non Distributed Costs	2,350	0	2,350	
7,290	Exceptional Items	0	0	0	
263,444	Net Cost of Services	630,517	-491,227	139,290	
1,747	Gain or loss on disposal of fixed assets	559	0	559	
1,694	Parish Council Precepts	1,820	0	1,820	23
15,935	County and Other Levies	18,883	0	18,883	
-700	Dividends and Surplus/Deficit on Trading operations	0	-16	-16	6
13,397	Interest Payable or Similar Charges	16,378	0	16,378	
-2,570	Interest & Investment Income	0	-5,478	-5,478	19
158	Amortised Premia/Discounts	144	0	144	
6,719	Pensions interest cost and expected return on pension assets	3,662	0	3,662	
16,152	Contribution to Housing Pooled Capital Receipts	7,913	0	7,913	21
315,976	Net Operating Expenditure	679,876	-496,721	183,155	
-152,684	General Government Grants			-15,813	
-6,222	PFI Support Grants			-6,222	
-83,822	Non Domestic Rates Distribution			-81,918	
-77,201	Demand on Collection Fund			-80,982	
-1,500	Transfer from Collection Fund in respect of surpluses/deficits			-2,250	
-5,453	Income And Expenditure Account (Surplus)			-4,030	

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts that become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £000		2006/07 £000	Note
-5,453	Income and Expenditure Account Deficit(+)/ Surplus(-)	-4,030	2
4,600	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-69	
-853	Increase in General Fund Balance for the Year	-4,099	
-11,783	Balance on General Fund Brought Forward	-13,625	
-989	Transfers to(-)/from(+) General Fund Balance in the Year	5,024	
-13,625	Balance on General Fund Carried Forward	-12,700	
-2,821	Amount of General Fund Balance held by Governors under schemes to finance schools	-4,329	
-10,804	Amount of General Fund Balance generally available for new expenditure	-8,371	
-13,625		-12,700	

Statement of Total Recognised Gains and Losses

This Statement brings together all the gains or losses of the Council for the year and shows the aggregate amounts of its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005/06 £000		2006/07 £000
-5,453	Surplus on the Income and Expenditure Account for the year	-4,030
180,081	Surplus(-)/deficit(+) arising on revaluation of fixed assets	-155,907
-4,501	Actuarial gains on pension fund assets and liabilities	-40,312
-11,255	Any other gains or losses required to be included in the STRGL	-146
158,872	Total Recognised (Gains) and Losses	-200,395

Prior year adjustment

An amount of £11.206m has been included in 'Any other gains or losses required to be included in the STRGL' for 2005/06 is a restatement of Deferred Capital Grants used to finance capital investment.

Balance Sheet as at 31 March 2007

Restated 2005/06			2006/07		
£000	£000		£000	£000	Note
	779	Intangible Assets		264	25
		Tangible Fixed Assets			
		Operational Assets			
695,989		Council Dwellings	801,849		
260,397		Other Land and Buildings	368,760		
1,973		Vehicles, Plant, Furniture and Equipment	1,132		
38,503		Infrastructure Assets	43,705		
7,971		Community Assets	7,884		
<u>1,004,833</u>			<u>1,223,330</u>		
43,973	1,048,806	Non-Operational Assets	58,147	1,281,477	24
<u>1,049,585</u>		Total Fixed Assets	<u>1,281,741</u>		
	12,002	Long-term Investments		14,002	29
	5,270	Long-term Debtors		8,865	
	1,050	Deferred premiums on early repayment of debt (net of discounts)		875	
<u>1,067,907</u>		Total Long-Term Assets	<u>1,305,483</u>		
		Current Assets			
559		Stock and Work in Progress	464		30
57,132		Debtors	59,018		31
1,880		Landfill Usage Allowances	1,927		41 d.v
57,070		Short-term Investments	112,990		
8,899		Cash in hand or at Bank	0		
<u>125,540</u>			<u>174,399</u>		
		Current Liabilities			
-80,543		Creditors	-95,632		
-1,941		Temporary Loans	-5		
-549		Deferred Liabilities	-604		32
0		Balance at bank -overdrawn	-8,732		
<u>-83,033</u>	42,507		<u>104,973</u>	69,426	
<u>1,110,414</u>		Total Assets less Current Liabilities	<u>1,374,909</u>		
-198,803		Long-term Borrowing	-276,346		35
-16,899		Deferred Liabilities	-16,295		32
-6,990		Provisions	-7,083		37
-46,033		Government Grants Deferred	-57,042		
-13,777		Unapplied Capital Grants/Contributions	-23,551		
<u>-190,783</u>		Pensions - Liability	<u>-157,068</u>		17
	-473,285			-537,385	
637,129		TOTAL ASSETS less LIABILITIES	837,524		

Balance Sheet as at 31 March 2007 (continued)

Restated 2005/06			2006/07		
£000	£000		£000	£000	Note
194,600		Capital Financing Account	218,006		42
572,788		Fixed Asset Restatement Account	713,082		42
-190,783		Pensions Reserve	-157,068		42
3,087		Capital Receipts Unapplied – usable	3,186		42
1,283		Major Repairs Reserve	8,294		42
228		Deferred Capital Receipts	201		42
13,625		General Fund Balance	12,700		42
10,431		Housing Revenue Account Balance	8,591		42
30,240		Earmarked Reserves	30,037		42
1,630		Collection Fund	495		42
637,129		TOTAL NET WORTH	837,524		



Rotherham Achieving - Rotherham Town Centre is the focus of a 25-year vision that will see £35 million being spent on various projects geared to breathing new life into the town centre through a combination of shops, offices and apartments.

Cash Flow Statement For The Period Ended 31 March 2007

2005/06			2006/07	
£000	£000		£000	£000
		Revenue Activities		
		Cash Outflows:		
279,861		Cash paid to and on behalf of employees	291,037	
259,975		Other Operating Costs	279,382	
15,419		Housing Benefit paid out	16,702	
49,551		National non-domestic rate payments to pool	57,493	
13,511		Precepts paid	14,300	
<u>16,152</u>	634,469	Payments to Capital Receipts Pool	<u>10,012</u>	668,926
		Cash Inflows:		
-20,942		Rents (after rebates)	-21,056	
-73,377		Council Tax Income	-77,660	
-83,822		National non-domestic rates receipts from pool	-81,918	
-47,731		National non-domestic rate income	-52,566	
-152,684		Revenue Support Grant	-15,813	
-15,327		DWP Housing Benefit Grant	-16,584	
-142,946		Other Government Grants	-308,636	
-108,510		Cash received for Goods and Services	-114,055	
<u>-14,797</u>	-660,136	Other Operating Cash Receipt	<u>-19,034</u>	-707,322
		Servicing Of Finance		
		Cash Outflows:		
12,313		Interest Paid	14,220	
		Cash Inflows:		
-2,189	10,124	Interest Received	<u>-3,678</u>	10,542
<u>-2,189</u>	<u>10,124</u>	Net Revenue Cash Inflow	<u>-3,678</u>	<u>10,542</u>
	-15,543			-27,854
		Capital Activities		
		Cash Outflows:		
90,120		Purchase of Fixed Assets	120,863	
<u>8,000</u>	98,120	Purchase of Long Term Investments	<u>2,000</u>	122,863
		Cash Inflows:		
-30,275		Sale of Fixed Assets	-18,827	
-27,491		Capital Grants Received	-22,342	
<u>-9,112</u>	<u>-66,878</u>	Other Capital Income	<u>-16,521</u>	<u>-57,690</u>
	15,699	Net Cash Outflow		37,319
		Acquisitions And Disposals		
	-2,100	Sale of Long term investment		0
	<u>2</u>	Investments in Associates or Joint Ventures		<u>0</u>
	13,601	Net Cash Outflow Before Financing		37,319
		Management Of Liquid Resources		
26,735		Net increase/decrease in short term deposits	55,920	
<u>0</u>	26,735	Net increase/decrease in other liquid resources	<u>0</u>	55,920
		Financing		
		Cash Outflows:		
	95,340	Repayments of amounts borrowed		185,654
		Cash Inflows:		
-35,000		New Loans Raised	-126,725	
-96,550	-131,550	New Short Term Loans	-134,537	-261,262
	4,126	Cash decrease		17,631

Notes To The Core Financial Statements

Note 1 Explanation of prior year restatement

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account.

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of Capital Financing Charges £000	Relocation of Government Grant Deferred Credits £000	Recognition of Gains and Losses on Disposal of Fixed Assets £000	2005/06 Comparatives in Income and Expenditure Account £000
Central Services to the Public	1,903				1,903
Court and Probation Services	364		54		418
Cultural, Environmental and Planning Services	34,511	-3,960	-9,385		21,166
Education Services	171,195	-6,209	-7,291		157,695
Highways, Roads and Transport Services	12,274		-1,044		11,230
Local Authority Housing (HRA)	34,840	-30,047	-1,775		3,018
Other Housing Services	-567	-101	-1,172		-1,840
Social Services	78,143	-459	-978		76,706
Corporate and Democratic Core	5,466	-33	-99		5,334
Non Distributed Costs	-19,476				-19,476
Exceptional Items	7,290				7,290
Impact on Net Cost of Services	325,943	-40,809	-21,690		263,444
Gain/loss on disposal of Fixed Asset				1,747	1,747
Asset Management Revenue Account	-28,782	28,782	0		0
Surplus/deficit from Trading operations, including dividends from other companies	-693	0	-7		-700
Interest Payable or Similar Charges		13,397	0		13,397
Impact on Net Operating Expenditure	296,468	1,370	-21,697	1,747	277,888

Note 2 Analysis of the net movement on the Statement of Movement on the General Fund Balance

2005/06 £000		2006/07 £000	Note
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year		
-8,763	Depreciation and Impairment of fixed assets	-9,020	i
-7,346	Excess HRA depreciation over MRA	4,310	ii
1,369	Government Grants Deferred Amortisation	1,846	iii
-3,741	Write down of deferred charges to be financed from capital resources	-10,363	iv
20,327	Capital Grants used to finance Capital expenditure	26,008	v
650	Write on of PFI Long-term Debtor	2,718	vi
-245	Write down of PFI Deferred Consideration	-131	vii
-1,747	Net gain or loss on disposal of fixed assets	-559	viii
-5,215	Net contribution made for retirement benefits in accordance with FRS 17	-28,189	ix
-4,711	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	-13,380	
4,602	Minimum revenue provision for capital financing	5,200	x
0	Capital expenditure charged in year to the General Fund Balance	2,101	xi
-16,152	Transfer from Usable Capital Receipts for Housing Pooled Capital Receipts	-7,913	xii
20,443	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	21,592	xiii
4,182	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	7,600	
4,161	Housing Revenue account balance	-1,840	xiv
0	Voluntary provision for repayment of debt	0	xv
-3,743	Net Transfer to/from (-) earmarked reserves	-5,829	xvi
4,600	Net Additional Amount	-69	

Note 2 (continued)

The Statement of Movement on the General Fund Balance provides the reconciliation between the summary of all resources generated, consumed or set aside by the Authority, as shown in the Income and Expenditure Account, and the net expenditure of the Authority used for setting local taxes.

- i Removal of depreciation, and impairment charges (NB excludes depreciation charged to HRA services)
- ii Excess of depreciation charged to HRA services over the Major Repairs Allowance element of the Housing Subsidy
- iii Government Grants Deferred amortisation matching depreciation and impairments
- iv Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (deferred charges)
- v Reversal of capital grants credited to the Income & Expenditure (IE) Account but used to finance Capital expenditure
- vi Reversal of the amount credited to the IE Account for the increase in the Balance Sheet carrying amount of the Schools PFI Long-Term Debtor
- vii Reversal of the amount debited to the IE Account arising from the write-down of the Schools PFI Deferred Consideration
- viii Reversal of amount included in IE Account
- ix Pensions adjusting amount. Difference between pensions cost calculated in accordance with the SORP (ie FRS 17) and contributions due under pension scheme regulations
- x Statutory provision for loan repayment (MRP). The adjustment shown here is the depreciation charged to General Fund services
- xi Capital Expenditure financed from revenue i.e. being charged to the General Fund balance and hence reducing the net surplus.
- xii Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool
- xiii The employers contributions and payments payable to the pension fund in accordance with the pension regulations.
- xi Statutorily required transfer of surplus or deficit for the year on HRA to HRA balance.
- xv Any voluntary provision for repayment of debt
- xvi Transfer to or from reserves. Merging of transfers to/from reserves separately identified above.

Note 3 Best Value Accounting Code of Practice (BVACOP)

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

Note 4 Acquired Operations

There were no acquired or discontinued operations for the year 2006/07.

Note 5 Outstanding undischarged obligations arising from Long Term Contracts

(a) Private Finance Initiatives - Schools PFI

At 31 March 2007 the Council had one long-term contract under Private Finance Initiative (PFI) arrangements and was negotiating two others.

The first of these is for the provision of 9 primary schools and 6 secondary schools all of which were completed by March 2007. The contract runs for 30 years and costs during the year totalled £12,879,789. 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.

(b) Private Finance Initiatives - Leisure PFI

The contract was signed on 7 June 2007. No payments were made under this contract in the financial year. The contract provides for the building of four new swimming pools, a dry leisure centre and a joint service centre. £24.954m of PFI credits have been awarded to support this scheme.

(c) Bereavement Service Partnership

A partnership with the preferred bidder Bereavement Service Partnership to improve Service Provision is due to be signed later this year. No payments have yet been made.

(d) RBT (Connect) Limited

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

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

At the time of publication of this Statement, only draft accounts for the company for the year ending 31 March 2007 are available and the details are shown below.

31 March 2006 £000		31 March 2007 £000
26,710	Turnover	28,178
17	Profit before taxation	12
12	Profit after taxation	9
25	Net assets	34

During the financial year RBT (Connect) Ltd provided services worth £27.604m to the Council.

At the 31 March 2007 a sum of £273,674 was payable by RBT (Connect) Ltd to the Council and £2,353,447 was owed from the Council to RBT (Connect) Ltd.

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

In accordance with the recommendations of CIPFA's Best Value Accounting Code of Practice (BVACOP) a number of trading accounts continue to be maintained by the Authority. The overall net deficit on those accounts (£0.033m after adjustment for FRS 17 requirements) has been transferred to the General Fund via the Income and Expenditure Account.

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

2005/06 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2006/07 Surplus (-)/ Deficit (+) £000
201	Building Works	0	0	0
-171	Construction, Street Cleansing and Landscaping	8,423	-8,340	83
-34	Refuse Collection	4,626	-4,568	58
72	Vehicle Maintenance	2,383	-2,302	81
-439	Property Services – Fee-billing	3,669	-3,984	-315
-11	Engineering – Fee-billing	1,613	-1,567	46
1	Cleaning of Buildings	4,365	-4,248	117
-132	Markets	923	-989	-66
-133	Building Regulations Control	623	-655	-32
-54	School Support Services	9,221	-9,160	61
-700		35,846	-35,813	33

The deficit, as shown above, has not been allocated to specific services within the accounts, and the net deficit of £0.033m is disclosed within the Income and Expenditure Account as part of Net Operating Expenditure. This net amount incorporates a £0.729m increase on expenditure arising from the adoption of FRS 17 into the accounts.

For comparative purposes, during 2005/06 the Authority's Trading Accounts produced an overall surplus of £0.700m. This figure incorporated a £0.344m increase on expenditure arising from the adoption of FRS 17 into the accounts.

The deficit above has been offset in these accounts by dividends of £49,238. Dividends of £13,727 (previous year £14,679), were received in 2006/07 for the year 2005/06 in respect of the Council's investment in BDR Waste Disposal Ltd. Dividends relating to 2006/07 of £35,511 will be paid in 2007/08.

Note 7 Publicity

Section 5 of the Local Government Act 1986 requires authorities to keep a separate account of their expenditure on publicity. In line with Section 5 requirements, the Council has reconsidered the allocation of this expenditure resulting in the restatement of the 2005/06 figures. During the year the costs incurred by the Council which fell within the requirements of the legislation were:-

2005/06 Restated		2006/07 Outturn
1,096,106	Recruitment Advertising	883,890
518,499	General Advertising	504,410
905,961	Promotional Material	800,475
815,306	Press and Publicity	807,567
3,335,872	Total	2,996,342

Note 8 Local Government Act 1972 (Section 137) Expenditure

Section 137 of the Local Government Act 1972 empowers local authorities, subject to various conditions and limits, to incur expenditure which in their opinion will bring direct benefit in their area, or to all or some of its inhabitants.

Section 137 was repealed by the Local Government Act 2000, being replaced by Section 2 of the Act. This reduced the requirement to report only grants to charitable organisations operating for the benefit of residents of the Borough.

The Council was permitted to spend £885,353 under this power in 2006/07 (£955,837 in 2005/06) and its actual expenditure was nil on grants to voluntary bodies (nil in 2005/06).



Rotherham Alive – The Public Realm Strategy will see Rotherham Town Centre transformed by a new street design incorporating new public spaces, particularly along the river.

Note 9 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 2006/07 divided between the chargeable and non-chargeable activities. The surplus on chargeable activities disclosed below does not incorporate the effect of FRS 17, the effect of which would be to reduce the surplus to £0.032m (see Trading Services Statement on Page 31). The Council does not maintain a separate reserve for the chargeable element of the account but retains any balance within the General Fund.

2005/06				2006/07		
Chargeable £000	Non- Chargeable £000	Total £000		Chargeable £000	Non- Chargeable £000	Total £000
			Expenditure:			
406	168	574	Employee Expenses	369	150	519
18	0	18	Transport	18	1	19
22	6	28	Supplies and Services	21	8	29
116	1	117	Central and support service charges	191	29	220
562	175	737	Total Expenditure	599	188	787
			Income:			
-699	0	-699	Building Regulation Control	-655	0	-655
-699	0	-699	Total Income	-655	0	-655
-137			Surplus for year	-56		

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 £0.049m in 2004/05, a surplus of £0.137m in 2005/06 and a surplus of £0.056m in 2006/07.

Note 10 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 2006/07.

Note 11 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 2006/07 Rotherham MBC provided such services to colleges, parish councils and other public bodies to the value of £432,399 (£467,200 during 2005/06). The services covered included building maintenance, grounds maintenance and cleaning of buildings.

Note 12 Pooled Budgets

The Council, through Adult 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

2005/06 £000	Intermediate Care	2006/07 £000
-630	Funding from Rotherham Primary Care Trust	-648
-1,118	RMBC (Adult Social Services) Contribution	-1,148
-1,748	Total Gross Income	-1,796
1,711	Total Gross Expenditure	1,660
-37	Net Expenditure (+)/Income (-)	-136

Learning Disabilities Services

2005/06 £000	Learning Disability Services	2006/07 £000
-9,472	Funding from Rotherham Primary Care Trust	-9,524
-12,205	RMBC (Adult Social Services) Contribution	-13,856
-21,677	Total Gross Income	-23,380
22,231	Total Gross Expenditure	23,319
554	Net Expenditure (+)/Income (-)	-61

Note 13 Members' Allowances

Members' allowances during the year totalled £1,076,797 including Joint Authority Allowances (2005/06 £981,750 excluding Joint Authority Allowances). Detailed information about Members' allowances can be obtained from the Strategic Director of Finance, 1st Floor Grove Road, Moorgate, Rotherham, S60 2ER.

Note 14 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 2006/07 the numbers are:-

Restated 2005/06		2006/07
32	£50,000 - £59,999	44
21	£60,000 - £69,999	31
11	£70,000 - £79,999	5
4	£80,000 - £89,999	10
6	£90,000 - £99,999	5
0	£100,000 - £109,999	4
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	0
1	£140,000 - £149,999	0
0	£150,000 - £159,999	1

Note 15 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 which follows 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 34 to the Core Financial Statements). The information provided also includes other bodies that may not necessarily meet the definition of a related party, though the Council considers that the information provided will be useful to a reader of the accounts.

Related Parties	Nature of Transactions	£
Assisted Organisations		
Dinnington Resource Centre	Fees and charges	32,659
Doncaster Indoor Bowling Club	Grant	14,337
Full Life Christian Centre	Grant, fees and charges	26,778
Get Sorted Academy of Music	Grant, fees and charges	115,186
Rotherham Disability Information Services	Grant	22,193
Rotherham Play and Learn Bus	Fees and charges	90,694
Rush House	Grant, fees and charges	507,699
Spurgeon's Childcare	Grant, fees and charges	364,207
Tassibee	Grant, fees and charges	40,557
United Multicultural	Grant, fees and charges	155,525
Yemeni Community Association	Grant, fees & charges	45,750
Member Related		
Churches Together in Rotherham	Pass ported donations	4,341
Citizens Advice Bureau	Grant, fees and charges	138,195
Coalfields Communities Campaign	Fees and charges	11,142
Creation Recycling	Fees and charges	162,261
Robond	Grant, fees and charges	96,582
Rotherham Advice and Information Network	Grant, fees and charges	75,266
Rotherham Community Transport	Fees and charges	165,657
Rotherham Age Concern	Grant, fees and charges	470,185
Rotherham Credit Union Development Agency	Grant	56,697
Rotherham Diversity Forum	Grant	52,448
Rotherham Rugby Union Football Club Ltd	Fees and charges	11,758
Rotherham Women's Refuge	Fees and charges	365,229
Swinton Lock Activity Centre	Fees and charges	72,860
Thomas Rotherham College	Grant, fees and charges	73,069
Voluntary Action Rotherham	Grant, fees and charges	597,854
Officer Related Organisations		
Academy of Construction Trades	Fees and charges	179,993
FACE Advice Centre	Grant, fees and charges	19,100
GROW	Grant, fees and charges	78,589
Kiveton Park Independent Advice	Grant	29,000
Rotherham Chamber of Commerce	Grant, fees and charges	220,295
South Yorkshire Funding Advice	Grant, fees and charges	49,655
Other Related Organisations		
South Yorkshire Passenger Transport Authority/Executive	Levy, fees and charges	17,536,684
The Environment Agency	Levy, fees and charges	74,736

Note 16 Audit Costs

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

2005/06 £000		2006/07 £000
375	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	365
45	Fees payable to Audit Commission in respect of statutory inspection	118
142	Fees payable to KPMG for the certification of grant claims and returns	120
0	Fees payable in respect of other services provided by the appointed auditor	0
562	Total	603

Note 17 Pensions

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

(a) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency. 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 2006/07 the Council paid employer's contributions calculated at 13.5% amounting in total to £11.661m (For 2005/06 the corresponding figures were 13.5% and £11.415m).

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) 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 2006/07 the Council paid employer's contributions calculated at 15.1% amounting to £19.261m.

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 IE Account after Net Operating Expenditure. The following transactions have been made in the IE Account during the year:-

2005/06 £000		2006/07 £000
	Net Cost of Services	
-16,246	- Current Service Cost	-20,008
20,817	- Past Service/Curtailment Cost	-708
	Net Operating Expenditure	
-3,067	- Current Service Cost – Trading Services	-3,811
-31,924	- Interest Cost	-33,163
25,205	- Expected Return on Assets in the Scheme	29,501
	Amounts to be met from Government Grants and Local Taxation:-	
-15,228	- Movement of Pensions Reserve	6,597
20,443	Actual amount charged against Council Tax for pensions in the year:-	21,592
	- Employers' contribution payable to Scheme	

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

The assumptions made in estimating the figures are detailed below.

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

2005/06 £000		2006/07 £000
-671.4	Estimated Liabilities in Scheme	-680.2
480.6	Estimated Assets in Scheme	523.2
-190.8	Net Asset (+)/Liability (-)	-157.0

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £157.068m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet. 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:-

2005/06			2006/07	
Start of Year	End of Year		Start of Year	End of Year
2.9%	2.9%	Rate of Inflation	2.9%	3.1%
4.7%	4.65%	Rate of Increase in Salaries	4.65%	4.85%
2.9%	2.9%	Rate of Increase in Pensions	2.9%	3.1%
5.4%	4.9%	Rate for discounting Scheme	4.9%	5.4%

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

Rate of Return on Assets

2005/06			2006/07	
Start of Year	End of Year		Start of Year	End of Year
7.5%	7.0%	Equities	7.0%	7.5%
4.7%	4.3%	Government Bonds	4.3%	4.7%
5.4%	4.9%	Bonds	4.9%	5.4%
6.5%	6.0%	Property	6.0%	6.5%
4.8%	4.5%	Other	4.5%	5.25%

Proportion of Assets Held by the Fund

2005/06			2006/07	
Start of Year	End of Year		Start of Year	End of Year
62.8%	64.9%	Equities	64.9%	65.9%
18.2%	15.1%	Government Bonds	15.1%	14.9%
6.7%	7.8%	Bonds	7.8%	6.8%
10.4%	10.7%	Property	10.7%	11.7%
1.9%	1.5%	Other	1.5%	0.7%

Analysis of the Market Value of Assets as at 31 March 2007

2005/06 £m		2006/07 £m
311.9	Equities	344.8
72.6	Government Bonds	77.9
37.5	Bonds	35.6
51.4	Property	61.2
7.2	Other	3.6
480.6	Total	523.1

The movement in the net pension liability for the year ended 31 March 2007 is as follows:-

2005/06 £m		2006/07 £m
-210.5	Net Pension Liability as at 1 April	-190.8
	Movement in the Year:	
-19.3	Current Service Cost	-23.8
20.4	Employer Contributions	21.6
20.8	Past Service Cost/Curtailment Cost	-0.7
-6.7	Net Interest/Return on Assets	-3.6
4.5	Actuarial Gain (+) or Loss (-)	40.3
-190.8	Net Pension Liability as at 31 March	-157.0

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.

The following note 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).

Actuarial gains and losses relating to pensions

The actuarial gains and losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

2002/03		2003/04		2004/05		2005/06			2006/07	
£000	%	£000	%	£000	%	£000	%		£000	%
-88,905	30.1	43,749	12.0	21,124	5.1	67,068	14.0	Difference between the expected and actual return on assets	4,413	0.8
0	0.0	0	0.0	-12,675	2.0	-8,066	1.2	Difference between actuarial assumptions about liabilities and actual experience	0	0.0
0	0.0	0	0.0	-108,035	17.4	-54,501	8.1	Changes in the demographic and financial assumptions used to estimate liabilities	35,899	5.3
-88,905	20.2	43,749	12.0	-99,586	16.0	4,501	0.7		40,312	5.9

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 18 Disclosure of Deployment of Dedicated Schools Grant

For 2006/07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the overall Revenue Support Grant. In 2006/07, the Council has received a specific grant from the Department for Education and Skills – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

The DSG has therefore been credited against the Children & Young People's Service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant. The difference between 2006/07 figures and the comparative figures for 2005/06 for these two lines is substantially explained by this change.

Details of the deployment of DSG receivable for 2006/07 are as follows:

Schools Budget Funded by DSG	Central Expenditure £000	Individual Schools Expenditure £000	Total £000
Original grant allocation to Schools Budget for the current year in the Authority's budget	12,256	142,844	155,100
Adjustment to finalised grant allocation	(89)	0	(89)
DSG receivable for the year	12,167	142,844	155,011
Actual Expenditure for the year	11,124	141,336	152,460
(Over)/Underspend for the year	1,043	1,508	2,551
Use of schools balances brought forward	0	2,821	2,821
(Over)/Underspend carried forward to 2007/08	1,043	4,329	5,372

Note 19 Interest and Investment Income

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

Note 20 Surplus/Deficit on the Housing Revenue Account

For 2006/07, the Income and Expenditure Account reflects a surplus on HRA services of £2.905m, prior to the adjustment to the HRA balance for the year. The surplus is due principally to the lower Depreciation and Impairment calculation, requiring an adjustment in respect of the Major Repairs Reserve. The sum of £4.745m has been debited to the HRA balance to produce an overall reduction in the HRA balance of £1.840m.

A separate statement relating to the Housing Revenue Account in 2006/07 is included later on Page 75.

Note 21 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 22 Capital Expenditure Financed from Revenue

There was £2.101m (HRA £2m and General Fund £0.101m) capital expenditure financed from revenue in 2006/07 (2005/06 – Nil).

Note 23 Parish Precepts

The payment of parish precepts appears as a charge in the Income and Expenditure 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 Tangible 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 2006	782,796	278,909	11,746	46,046	7,971	1,127,468
Accumulated Depreciation & Impairment	-86,807	-20,698	-9,773	-7,543	0	-124,821
Prior Year Adjustments	695,989	258,211	1,973	38,503	7,971	1,002,647
		2,186				2,186
Net Book Value at 31 March 2006	695,989	260,397	1,973	38,503	7,971	1,004,833
Movement in 2006/07:						
Additions in Year	59,232	13,945	483	6,590	376	80,626
Disposals in Year	-10,398	-46	-332	0	0	-10,776
Revaluation in Year	65,854	91,550	-485	-1,003	-945	154,971
Asset Re-classification	0	9,109	2	594	482	10,187
Depreciation in Year	-7,699	-5,963	-509	-979	0	-15,150
Impairments	-1,129	-232	0	0	0	-1,361
Net Book Value at 31 March 2007	801,849	368,760	1,132	43,705	7,884	1,223,330

(ii) Non-operational Assets

	Investment and Surplus Assets Total £000	Assets under Construction Total £000	Total £000
Certified Valuation at 31 March 2006	35,040	11,688	46,728
Accumulated Depreciation & Impairment	-505	0	-505
Prior Year Adjustments	34,535	11,688	46,223
	0	-2,250	-2,250
Net Book Value at 31 March 2006	34,535	9,438	43,973
Movement in 2006/07:			
Additions in Year	492	31,159	31,651
Disposals in Year	-8,206	0	-8,206
Revaluation in Year	1,303	0	1,303
Asset Re-classification	7,517	-17,704	-10,187
Depreciation in Year	0	0	0
Impairments	-387	0	-387
Net Book Value at 31 March 2007	35,254	22,893	58,147

A review of the carrying value of Assets under Construction as at 31 March 2006 identified an amount of £2.250m which had been incorrectly classified and has now been transferred to Other Land and Buildings. In addition £0.064m of expenditure previously written out to the Fixed Asset Restatement Account has been reversed. This resulted in a prior year adjustment and a restatement of the balances (refer to Notes 24 (i) and 24 (ii)).

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

The Statement of Accounting Policies (earlier in this Statement) sets out the basis and principles of capital accounting.

Capital assets are revalued on the basis of a five-year rolling programme and in 2006/07 the assets were revalued by qualified officers within the Council's Environment and Development Services.



Rotherham Proud – Moorgate Crofts, Rotherham's first Renaissance building, is a £3.8 million state-of-the-art business centre designed to appeal to entrepreneurs from the digital, ICT, creative and professional and financial services sectors.

(c) Analysis of Tangible Fixed Assets

A numerical analysis of the fixed assets of the Council at 31 March 2007, as shown in the Asset Register, is shown in the table below:-

	2006/07 £000
Council Dwellings	21,377
Asset Type	
Allotments	25
Bowling Greens	10
Community Centres	89
Cemeteries (Buildings)	6
Children's Homes	5
Off Street Car Parks	22
Day Centres	10
Depots and Workshops	23
Golf Course/Pitch and Putt/Mini Golf	7
Hostels	4
Laundry	1
Learning Centre	4
Leisure Activities	5
Libraries	15
Museums and Galleries	1
Markets	1
Office Buildings	28
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	9
Theatres	1
Youth Clubs	2
Non-operational Assets	
Investment Property	413
Land Awaiting Development (Area – Acres)	362
Surplus Assets	21
Community Assets	
Cemeteries (Land)	7
Civic Regalia	24
Museum Exhibits	10
Parks	18
Open Space Land	176
Infrastructure Assets	
Bridges	10
Other Infrastructure	86
Road length (km)	1,130

(d) Capital Expenditure and Financing

2005/06 £000		2006/07 £000
221,603	Opening Capital Financing Requirement	240,320
	Capital Investment	
75,264	Operational Assets	80,626
11,116	Non-Operational Assets	31,651
3,741	Intangible Assets	10,112
	Sources of Finance	
-16,513	Capital Receipts	-10,308
-38,033	Government Grants and Other Contributions	-38,863
-16,858	Revenue Provision	-13,031
240,320	Closing Capital Financing Requirement	300,507

2005/06 £000		2006/07 £000
	Explanation of movements in year	
16,394	Increase in underlying need to borrow (supported by Government financial assistance)	56,947
2,323	Increase in underlying need to borrow (unsupported by Government financial assistance)	3,240
18,717		60,187

Note 25 Intangible Assets

Deferred Charges are designated Intangible Assets in line with SORP guidance. Expenditure amounting to £10.112m (cash basis £10.100m, £0.012m accrual) was incurred and written off to the Income and Expenditure Account through an adjustment to the Capital Financing Account.

Restated 2005/06 £000		2006/07 £000
0	Restated balance as at 1 April 2006	779
0		779
3,741	Expenditure on deferred charges	10,112
-3,741	Amounts written off to Capital Financing Account	-10,363
0	Amounts written off to Fixed Asset Restatement Account	-264
779	Prior year Adjustments	0
779	Balance as at 31 March	264

The prior year adjustments represents expenditure on software licences previously written out to the Fixed Asset Restatement Account which was reclassified as a deferred charge and is being written down over a 3 year period to revenue (see also note 42(d)).

Note 26 Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2007, 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:-

Capital Commitments	£m
Neighbourhoods	
HMR Pathfinder	
Westgate Demonstrator Projects - Site 1	1.080
Westgate Demonstrator Projects - Site 3	2.850
Westgate Demonstrator Projects - Site 5	3.450
Gateway Programme	1.100
Decent Homes	
Main Refurbishment Contractors	
Keepmoat	26.000
Henry Boot	12.000
ROK	11.000
Connaught	4.000
Window Contractors	
Yorkshire Windows	2.125
Anglian	2.150
Economic Development Services	
Westgate Demonstrator	9.447
Magna Business Incubation Centre	4.880
Bellowes Road	3.850
Flood Alleviation	8.400
A631 West Bawtry Road Highway Improvement	3.900
Great Eastern Way Highway reconstruction	2.100
Wharcliffe Flats Improvements	1.900

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

Note 27 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 28 Leasing

The Council holds various capital leases (primarily plant and vehicles) under operating leases, the relevant details of which are set out below:

2005/06 £000		2006/07 £000
	Operating Lease Rentals paid in year:-	
633	- Primary rentals	478
124	- Secondary rentals	68
	Undischarged obligations under all leases at the year end:-	
478	- payable within one year	347
857	- payable within two to five years	500
0	- payable after five years	0

All operating leases expire between 2008/09 and 2011/12.

Note 29 Long-Term Investments

At the end of the 2006/07 £14.000m of the Council's PFI grant receipts (£20.657m) had been invested long-term.

The balance of £0.002m represents the Council's investment in RBT (Connect) Ltd.

Note 30 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 £463,843 as at 31 March 2007 (£559,000 as at 31 March 2006).

Note 31 Debtors

2005/06 £000		2006/07 £000
2	Ratepayers	2
44	Community Charge	43
4,093	Council Tax	4,637
1,030	Business Rates	1,073
2,144	Housing Tenants	2,335
1	Car Loans to Employees	0
54,868	Sundry Debtors	56,014
62,182		64,104
	Less Provision for Bad and Doubtful Debts	
-1,554	Collection Fund	-1,822
-1,777	Housing Revenue Account	-1,506
-1,719	General Fund	-1,758
-5,050		-5,086
57,132		59,018

Note 32 Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 85 of this Statement refers). As at 31 March 2007 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt administration amounted to £16,898,928, comprising £604,072 maturing within one year and £16,294,856 after that date.

Note 33 Analysis of Net Assets Employed

The net assets (revenue and capital) employed at 31 March 2007 are as follows:-

Restated 2005/06 £000		2006/07 £000
88,432	General Fund	158,453
737,850	Housing Revenue Account	835,644
1,630	Collection Fund	495
827,912	Total excluding Pensions Reserve	994,592
-190,783	Pensions Reserve *	-157,068
637,129	Total	837,524

* 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 34 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 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

For detailed information see Long Term Contracts (Note 5).

(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.

Details from the accounts for period ending 31 March 2007 are shown below:

31 March 2006 £000		31 March 2007 £000
28,454	Turnover	38,407
686	Profit (+)/loss(-) before taxation	-5,173
682	Profit (+)/loss(-) after taxation	-5,194
240	Net Assets	-895

During the financial year the Council paid a management fee of £7.183m to 2010 Rotherham Ltd whilst the company purchased services from the Council totalling £2.943m. As at 31 March 2007 a sum of £12.618m was payable by 2010 Rotherham Ltd to the Council and £11.320m 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 Formento de Construcciones y Contratas, S.A., a company registered in Spain.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £1.850 million

Council's Shareholding:-

- a) For voting purposes – the Council owns one-third of the company's 'A' shares (costing £6.66) which collectively comprise 20% of its total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% of the company's £1 class 'C' shares – no voting rights are attached to these shares.
- c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total.

The relevant information for the year ended 31 December 2006 is shown below:

31 December 2005 £000		31 December 2006 £000
16,701	Turnover	18,356
1,674	Profit (+)/loss(-) before taxation	4,059
1,569	Profit (+)/loss(-) after taxation	4,059
7,354	Net Assets	11,413

Dividends for 2006 of £35,511 were received in 2007/08 (2005 - £13,727 received in 2006/07).

During the financial year ended 31 December 2006, the company provided waste disposal services to the Authority to the value of £4.086m (2005 - £3.882m).

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

(iv) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004 their statement of accounts was 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. There is no controlling party, the Company being Limited by Guarantee and not having any shares or shareholders.

No contributions to running costs were made by Rotherham MBC to Building Learning Communities Ltd during the financial year ended 31 March 2007.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2007 were unavailable and the details below are the most up to date available.

	31 March 2006 £000
Turnover	26
Profit (+)/loss(-) before taxation	6
Profit (+)/loss(-) after taxation	6
Net Assets	6

Building Learning Communities Ltd provided services to the Authority to the value of £6,194 (2005/06 - £4,598).

A copy of the accounts of the company may be obtained from Mr I Gledhill, Civic Buildings, Walker Place, Rotherham, S60 2AJ.

(v) Creswell Groundwork Trust

Creswell Groundwork Trust is a charity and 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 2007 were unavailable and the details below are the most up to date available.

31 March 2006 £000		31 March 2007 £000
4,948	Turnover	
-202	Surplus(+)/Deficit(-) for the year	See note above
662	Net Assets	

Rotherham Metropolitan Borough Council's contribution to the company during 2006/07 was nil (2005/06 – nil).

Creswell Groundwork Trust provided services to the Authority to the value of £35,724,391 (2005/06 - £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 Limited

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

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

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

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2007 were unavailable and the details below are the most up to date available.

31 March 2006 £000		31 March 2007 £000
2,201	Turnover	
13	Surplus(+)/Deficit(-) for the year	See note above
310	Net Assets	

Rotherham Metropolitan Borough Council's contribution to the company during 2006/07 was £60,000 (2005/06 - £60,000).

Groundwork Dearne Valley Limited continued to receive payroll services from the Authority during 2006/07 and provided services to the Authority to the value of £277,727 (£428,510 in 2005/06).

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 2007 were unavailable and the details below are based on the company's accounts for the year ending 31 March 2006.

31 March 2006 £000		31 March 2007 £000
3,610	Turnover	
-1,704	Surplus(+)/Deficit(-) for the year	See note above
24,381	Net Assets	

During the financial year ended 31 March 2007, the company provided services to the Authority to the value of £66,432. The loan for £70,000 issued to Magna Trust in 2004/05 has been repaid and a further loan for £300,000 issued in 2006/07 was still outstanding as at 31 March 2007.

(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.'

The latest results available for the Northern College are for the year ended 31 July 2006.

31 July 2005 £000		31 July 2006 £000
6,565	Turnover	6,643
201	Surplus(+)/Deficit(-) for the year	(202)
1,299	Net Assets	962

Rotherham MBC made a contribution of £25,000 towards the running costs of the company during 2006/07 (2005/06 – Nil).

During the financial year ended 31 March 2007, the company provided services to the Authority to the value of £2,372 (2005/06 - £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 2007 were unavailable and the details below are the most up to date available.

31 March 2005 £000		31 March 2006 £000
5,002	Turnover	3,450
109	Profit before taxation	-156
108	Profit after taxation	-157
1,043	Net Assets	886

Rotherham Borough Council's grants to and payments for services provided by the company during 2006/07 was £431,941 (2005/06 - £160,918).

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

(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.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2007 were unavailable and the details below are the most up to date available.

31 March 2006 £000		31 March 2007 £000
6,223	Income	
1	Surplus on Ordinary Activities before Taxation	see note above
0	Results for the Financial Year	

Rotherham MBC did not make a contribution to the running costs of this company during 2006/07.

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

(xi) Rotherham Renaissance Limited

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

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

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

No accounts have been or will be prepared for the period 21 September 2005 to 31 March 2006 or for the year to 31 March 2007.

(xii) Rotherham Engineering and Computing Technology (REACT) Centre Limited

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".

Rotherham MBC did not make a contribution to the running costs of the company in 2006/07 (2005/06 – Nil).

The company is currently in the process of being wound up. The latest figures available are from draft accounts for the period ended 31 March 2007 and are shown below:

31 March 2006 £000		31 July 2006 £000
861	Turnover	0
-63	Profit(+)/loss(-) before taxation	-18
-63	Profit(+)/loss(-) after taxation	-18
20	Net Assets	not provided

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

(xiii) Rotherham Community Resource Programme

The company's name was changed from Rotherham Crime Reduction Trust Limited on 1st September 2005.

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.

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".

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2007 were unavailable and the details shown below are the most up to date available.

31 March 2005 (re-stated) £000		31 March 2006 £000
586,393	Turnover	449,824
24,536	Surplus/(Deficit) for the year	10,694
52,68	Net Assets	14,991

Rotherham MBC made grants, contributions and payments of £322,686 to the business during 2006/07 (2005/06 £388,381).

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

(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 2007 were unavailable and the details shown below are the most up to date available.

31 March 2006 £000		31 March 2007 £000
4,380	Turnover	
53	Profit before taxation	See note above
48	Profit after taxation	
55	Net Assets	

Rotherham MBC did not make a direct contribution to the running costs of this company during 2006/07.

During the financial year ended 31 March 2007, the company provided services to the Authority to the value of £4,511 (2005/06 Nil).

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

Note 35 Long Term Borrowing

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

2005/06 £000		2006/07 £000
142,753	Public Works Loans Board	198,296
56,050	Market Bonds	78,050
198,803	Total	276,346

Analysis of loans by maturity (at 31 March 2007):

2005/06 £000		2006/07 £000
356	Maturing within 1-2 years	0
909	Maturing within 2-5 years	0
65,827	Maturing within 5-10 years	40,050
131,711	Maturing more than 10 years	236,296
198,803	Total	276,346

Long-term loans maturing within one year were nil as at 31 March 2007 (£365,000 as at 31 March 2006).

Note 36 Contingent Assets

RBT Contract – Non-Distributable Reserve Account

The following amounts are included in the Non-Distributable Reserve Account:

	RMBC £	RBT £	Total £
2005/06	263,250	321,750	585,000
2006/07	925,000	925,000	1,850,000
Total	1,188,250	1,246,750	2,435,000

Funds are credited to the Non-Distributable Reserve Account when the Project Internal Rate of Return (IRR) increases above 20.9%, the Threshold IRR.

Funds can only be removed from the Non-Distributable Reserve Account in the following circumstances:

- (i) If the Project IRR falls below 20.9%. Funds can be removed to bring it back up to the Threshold IRR.
- (ii) To fund any capital expenditure associated with a Change in Law or a Qualifying Change in Law Variation, where both parties consent.
- (iii) On expiry or termination of the contract.

Note 37 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.

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

2005/06 £000		2006/07 £000
6,879	Insurance	5,711
	Section 111/82 Disrepair Claims –	
85	Housing Revenue Account	85
26	Section 117 Payments – Social Services	13
0	Elvin Compensation Claim	52
0	Landfill Trading Allowances (LATS)	1,222
6,990	Total	7,083

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

Insurance

The overall Insurance Fund balance shown in the accounts (inclusive of the reserve part – see Note 41 below) is net of amounts totalling £31,006 that have been advanced internally on a short-term repayable basis.

Moving into 2007/08 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 2006/07. 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 Housing Disrepair Claims: Housing Revenue Account

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/4. Provision was initially made for legal costs of the cases outstanding at the end of March, 2004. A large number of cases were resolved between 2004/5 and 2006/7. The current number of live cases stands at 17 as at the end of March, 2007. A further review of the cases thus far resolved has been undertaken, in order to establish an updated average cost of settlement and provision 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 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. An amount of £13,000 was paid in 2006/07 with the balance remaining pending final settlement.

Compensation payments

A claim has been made against the Council (Environment and Development Services – Streetpride Service) by a scrap metal firm – Elvin's – for loss of passing trade arising from the undertaking of roadworks by the Streetpride service. The quantum for compensation has been assessed by Price Waterhouse Coopers (PWC) and amounts to £37,113. In addition to this are added PWC's professional fees of £10,000 and Elvin's advisor's fees of £5,000, amounting to £52,113 as the total value of the provision.

Landfill Allowance Trading Scheme

Subsequent to the SORP guidance being clarified the Council has acknowledged that the liability arising from actual landfill usage should be recognised as a provision rather than a creditor.

Note 38 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 re-evaluation of local government pay practices.

In 1997, the Single Status Agreement for Local Government Employees was published, the purpose of which was to harmonise the terms and conditions of employment for former APT&C and former manual workers. As a part of this agreement, all local 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. The Council's new structure is planned to be fully in place by 2008.

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 3,694 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.

However a number of employees refused to settle and 272 of them have since registered their claim with a solicitor and are now being processed through the Employment Tribunal procedure. To these first generation claims have been added 342 second generation claims arising from the payment of a protected allowance to former bonus earners on the cessation of the Council's bonus scheme. The Council is committed to a vigorous defence of the cases brought against it. Given this it is not possible at present to determine the value of the Council's liability. The potential cost of all these cases is up to £15.6m based on evidence from other councils.

(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 2007 the Authority had lodged claims of £3,913,709 above the threshold giving a maximum liability under the Scheme of £772,742.

(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 39 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 40 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 2006 £	Income £	Expenditure £	Balance as at 31 March 2007 £
Treeton Council School War Memorial	420	22	0	442
EJ Butland, Treeton Infants	334	24	0	358
Whiston Two Wars Memorial	1,027	90	1,027	90
Total	1,781	136	1,027	890

Trust Funds – Balance Sheet as 31 March

2005/06 £		2006/07 £
	Assets	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
26	Debtors	39
1,755	Cash	851
2,131	Total Assets	1,240
	Financed by:	
350	Fund Balance	350
1,781	Accumulated Investment Interest	890
2,131	Total Equity	1,240

The investments referred to above relate to War Loan Stock.



Rotherham Alive - The bandstand is just one of the many features in Clifton Park that are due to be restored as part of the £7 million transformation of this much loved public space in the centre of Rotherham.

Note 41 Reserves

	Balance as At 1 April 2006 £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 2007 £000
General Fund					
Total (excluding Schools)	10,804	2,591	65	-5,089	8,371
* Schools Delegated Budgets	2,821	1,508	0	0	4,329
Total General Fund	13,625	4,099	65	-5,089	12,700
Trading					
Markets	19	0	3	0	22
Insurance	697	0	534	0	1,231
Total – Trading	716	0	537	0	1,253
Repayable					
Capital Fund	0	0	312	-312	0
Infrastructure Maintenance Fund	0	0	11	-11	0
Energy Conservation	509	0	129	-95	543
Invest to Save	526	0	224	0	750
Total – Repayable	1,035	0	676	-418	1,293
Other Earmarked					
Museum	28	0	37	-3	62
Rating Revaluation Refunds	103	0	0	0	103
Corporate ICT Initiatives	9	0	95	-104	0
RERF	132	0	70	0	202
Maintenance of Buildings	229	0	6	0	235
Statutory Costs	388	0	0	-260	128
Winter Conditions (Environmental & Development Services)	154	0	0	0	154
53 Week Year	925	0	167	-1,025	67
Property Asset Bank	121	0	43	-21	143
Managed Workspace R&R	223	0	53	-21	255
Local Election Fund	6	0	0	-6	0
Objective 1	317	0	200	-107	410
Waste Minimisation	99	0	0	-99	0
Commutation Adjustment	8,514	0	788	-1,965	7,337
CENT ICT Refresh	82	0	30	-1	111
Pupil Retention	192	0	0	-53	139
Housing Improvement Programme	0	0	45	0	45
Furnished Homes	0	0	60	0	60
Total – Earmarked	11,522	0	1,594	-3,665	9,451
Ring-fenced					
Asylum Seekers	271	0	389	-322	338
Housing Revenue Account	10,431	-1,840	0	0	8,591
Housing (Major Repairs Reserve)	1,283	0	12,562	-5,551	8,294
Schools' Declared Savings	1,071	0	180	-207	1,044
PFI – Schools	15,206	0	903	-156	15,953
Landfill Allowance Trading Scheme	419	0	361	-75	705
Total – Ring-Fenced	28,681	-1,840	14,395	-6,311	34,925
Total – excluding General Fund	41,954	-1,840	17,202	-10,394	46,922
Total Reserves	55,579	2,259	17,267	-15,483	59,622

The sum of £4.329m 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 37) 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 is used to advance monies to spending services on a loan repayable with interest basis to regenerate a resource for funding further expenditure.

(ii) Infrastructure Maintenance Fund

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

(iii) Energy Conservation

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

(iv) Invest to Save

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 2006/07 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 collaboration with head teachers to reduce the number of permanent exclusions.

(v) RERF (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.

(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) Objective One

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

(xiv) Waste Minimisation

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

(xv) 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 client's requirements in a fast evolving environment.

(xvi) 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.

(xvii) Housing Investment Programme

This reserve was created for two schemes from the 2006/07 HIP programme which were part of the HIP's role in enabling decent affordable housing in the private sector:

1. Rent Deposit Guarantee Scheme £25,000

Provides rent deposit guarantees for such accommodation and will only be required if a tenant defaults on their payments.

2. Works in Default £20,000

Enables Environmental Health Officers to force private landlords into doing improvements on their properties. This will only be used if they default on the agreement.

(xviii) Furnished Homes Scheme Reserve

This reserve has been created to enable continued funding and extension of the Furnished Homes arrangements within the Housing Revenue Account. Expenditure covers the provision and replacement of a range of furnished packages, enabling those on low incomes to acquire furniture and household goods at affordable charges.

(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 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.

2005/06			2006/07	
Tonnes	£000		Tonnes	£000
93,990	1,880	Current Asset: Fair Value of recognised allowances	107,517	1,927
73,050	1,461	Provision: Recognised Landfill usage	67,930	1,222
20,940	419	Reserves: Balance of Landfill Allowances at Market Value	39,587	705



Rotherham Learning: Winterhill Secondary School one of 6 secondary and 9 primary schools completed as part of a £94m PFI project.

Note 42 Total Movement in Reserves

Reserve	Restated Balance 1 April 2006 £000	Net Movement in Year £000	Balance 31 March 2007 £000	Purpose of Reserve	Further Details of Movements
Fixed Asset Restatement Account	572,788	140,294	713,082	Store of gains on revaluation of fixed assets	See Note (d) below
Capital Financing Account	194,600	23,406	218,006	Store of capital resources set aside to meet past expenditure	See Note (e) below
Usable Capital Receipts	3,087	99	3,186	Proceeds of fixed assets available to meet future capital investment	See Note (b) below
Pensions Reserve	-190,783	33,715	-157,068	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note (a) below
Housing Revenue Account	10,431	-1,840	8,591	Resources available to meet future running costs for council houses	See HRA statements Page 75
Major Repairs Reserve	1,283	7,011	8,294	Resources available to meet capital investment in council housing	See HRA statements Note 3, Page 78
General Fund	13,625	-925	12,700	Resources available to meet capital investment in council housing	See Statement of Movement on the General Fund Balance Page 22
Deferred Capital Receipts	228	-27	201	See Note 27	See Note 27
Collection Fund	1,630	-1,135	495	Resources to be distributed to billing and precepting authorities	See Collection Fund Page 82
Other Reserves	30,240	-203	30,037	Various earmarked reserves holding resources for specific purposes	See Note 41 above
Total	637,129	200,395	837,524		

Notes to the Movements on Reserves and Capital Resources

Note (a) Movement on Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Other Reserves £000	Pensions Reserve £000
Surplus (+)/deficit (-) for 2006/07	4,099	-1,840	0	0	0
Transfers in(+)/out (-) in the year	65	0	-1,135	-10,394	0
Appropriations to (+)/from (-) revenue	-5,089	0	0	17,202	-6,597
Actuarial gains and losses relating to pensions	0	0	0	0	40,312
	-925	-1,840	-1,135	6,808	33,715
Balance brought forward at 1 April 2006	13,625	10,431	1,630	31,523	-190,783
Balance carried forward at 31 March 2007	12,700	8,591	495	38,331	-157,068

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 other reserves held by the Council are detailed in Note 41 of the Core Financial Statements.

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2007. Further details of the Authority's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 17 of the Core Financial Statements.

Note (b) Movements in realised capital resources

	Usable Capital Receipts £000	Unapplied Capital Grants & Contributions £000
Amounts receivable in 2006/07	10,407	48,637
Amounts applied to finance new capital investment in 2006/07	-10,308	-38,863
Total increase(+)/decrease(-) in realised capital resources in 2006/07	99	9,774
Balance brought forward at 1 April 2006	3,087	13,777
Balance carried forward at 31 March 2007	3,186	23,551

Usable 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 tangible assets in 2006/07	156,274
Gains(+)/losses(-) on revaluation of intangible assets in 2006/07	-264
Impairment losses on fixed assets due to general changes in prices in 2006/07	0
Amounts written off for capital expenditure which does not enhance the asset values 2006/07	0
Total increase(+)/decrease(-) in unrealised capital resources in 2006/07	156,010

Note (d) Value of assets sold, disposed of or decommissioned

Total increase(+)/decrease(-) in unrealised capital resources in 2006/07	156,010
Amounts written off for deferred liability (Metropolitan Debt)	549
Amounts written on for PFI long term debtor	2,718
Amounts written off fixed asset balances for disposals in 2006/07	-18,983
Total movement on reserve in 2006/07	140,294
Balance brought forward as at 1 April 2006	572,073
Prior Year Adjustments	715
Restated balance brought forward as at 1 April 2006	572,788
Balance carried forward at 31 March 2007	713,082

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.

The balance as at 1 April 2006 has been restated to reflect a re-alignment of previous years' accounting for capital expenditure, £0.64m in respect of Assets in Construction and £0.779m in respect of Deferred Charges (Software Licences) (see also notes 24 and 25).

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 2006/07			
- reserved receipts	0	0	0
- usable receipts applied	10,308	0	10,308
Total capital receipts set aside in 2006/07	10,308	0	10,308
Revenue resources set aside in 2006/07			
- capital expenditure financed from revenue	2,101	0	2,101
- capital expenditure financed from reserves	0	0	0
- reconciling amounts for provisions of loan repayments	-9,852	0	-9,852
The revenue resources set aside in 2006/07	-7,751	0	-7,751
Grants applied to capital investment in 2006/07	26,008	12,600	38,608
Major Repairs Reserve applied	5,179	0	5,179
Creation and writing down of PFI deferred consideration	25	0	25
Amounts credited to the Capital Financing Account in 2006/07	0	-1,591	-1,591
Amount written out in year	-10,363	0	-10,363
Movement on Government Grants Deferred	20,849	11,009	31,858
Total increase(+)/decrease(-) in amounts set aside to finance capital investment			34,415
Total movement on reserve in 2006/07	23,406	11,009	
Balance brought forward at 1 April 2006	185,929	54,704	
Prior year adjustments	8,671	-8,671	
Restated balance brought forward at 1 April 2006	194,600	46,033	
Balance carried forward at 31 March 2007	218,006	57,042	

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, usable 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.

Balances as at 1 April 2006 have been restated to reflect a re-alignment of previous years' accounting for capital expenditure.

Amounts written down in previous years from the Government Grants Deferred Account have been written back through the restated IE Account for 2005/06.

Note 43 Reconciliation of Net Revenue Cash Flow

Elements of the cash flow statement can be reconciled to the Income and Expenditure Account as shown below:

	£000	£000
Surplus per Income and Expenditure Account		-4,030
<u>Items on an accrual basis:</u>		
Decrease in Stocks and Work-in-Progress	-95	
Increase in Debtors	1,886	
Increase in Creditors	-15,089	
		-13,298
<u>Other items</u>		
Minimum Revenue Provision	5,200	
Capital Expenditure charged to Revenue	2,101	
Decrease in Collection Fund Balance	1,135	
Contribution to Provisions and Reserves	-4,136	
Other non cash transactions	-14,826	
		-10,526
Net Revenue cash inflow (-)		-27,854

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

Note 44 Movement in Net Debt

	£000
Cash decrease in 2006/07	17,631
Less:	
Net Cash Outflow Before Financing	37,319
	-19,688
<u>Analysis of Increase in Net Debt</u>	
Public Works Loans Board (Including Annuities)	-55,178
Bonds	-22,000
Temporary Loans (excluding PWLB)	1,570
Investments	55,920
	-19,688
Opening Net Debt at 1 April 2006	143,673
Closing Net Debt at 31 March 2007	163,361
Increase (-) in Net Debt	-19,688

Note 45 Increase/Decrease in Cash

	£000
Cash overdrawn as at 31 March 2007	-8,732
Less	
Cash in hand as at 31 March 2006	8,899
Cash decrease (-) in 2006/07	-17,631

Note 46 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 Balance Sheet.

Note 47 Government Grants

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

	£000	£000
<u>Revenue</u>		
Standards Fund	25,589	
Dedicated Schools Grant	155,011	
Early Years & Child Care Development	1,910	
LSC Sixth Form Funding	9,290	
European Grants	2,403	
Single Regeneration Budget	3,557	
Mental Health – Children and Adults	752	
Promoting Independence	1,019	
Housing Subsidies	57,718	
Neighbourhood Renewal Fund	3,496	
LAA Grants	8,492	
PFI	6,222	
Other	33,177	
		308,636
<u>Capital</u>		
Improvement Grants	720	
Standards Fund	2,935	
Yorkshire Forward Single Pot	4,798	
Housing Pathfinder Grant	7,735	
Objective 1	1,957	
National Lottery Grant	25	
Single Regeneration Budget	479	
Department of Health	657	
Sure Start	452	
Transport Supplementary Grant	963	
New Opportunities Fund	294	
Planning Delivery Grant	87	
Regional Housing Board	1,240	
		22,342

Note 48 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.

In June 2007 severe flooding was experienced within the Rotherham Borough area. The financial implications arising from this have yet to be established but are anticipated to be significant. Opportunities to secure external financial support will be fully explored to minimise the impact on the Council's financial position.

Note 49 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:

2005/06 £000		Income £000	Expenditure £000	2006/07 £000
2,130	Dinnington Colliery Site – Highways works	105	0	2,235
4	Highfield Lane, Waverley	0	-4	0
150	Other – General Fund	117	-83	184
554	HRA	37	0	591
2,838	Total	259	-87	3,010

Note 50 Authorisation

This Statement of Accounts is authorised to be issued.

Strategic Director of Finance



Date

26/9/07

Other Financial Statements and Notes to the Other Financial Statements

Housing Revenue
Account (HRA)

The Collection
Fund Income and
Expenditure Account

Metropolitan Debt
Administration

Group Accounts

Housing Revenue Account Income and Expenditure Account

The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA Services included in the whole Authority Income and Expenditure Account.

The HRA itself, 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 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.

Housing Revenue Account Income and Expenditure Account

Restated 2005/06 £000		2006/07 £000	Note
	Income		
49,395	Dwelling rents	50,595	
1,020	Non-dwelling rents	1,125	
3,264	Charges for services and facilities	2,813	
12,165	HRA subsidy receivable	12,190	
65,844	Total Income	66,723	
	Expenditure		
11,357	Repairs and maintenance	15,520	
8,839	Supervision and management	9,855	
7,527	ALMO Management Fee	7,183	
4	Rents, rates, taxes and other charges	0	
17,076	Negative subsidy-payments to Secretary of State	15,748	
394	Provision for bad or doubtful debts	259	8
20,568	Depreciation and impairment of Fixed assets	8,937	
185	Amortisation of Deferred Charges	147	9
94	Debt management costs	156	
66,044	Total Expenditure	57,805	
	Cost of HRA Services as included in the whole Authority Income and Expenditure Account		
200	HRA services share of Corporate and Democratic Core	-8,918	
276	HRA share of other amounts included in whole Authority Net	280	
49	Cost of Services but not allocated to specific services	271	
525	Net Cost of HRA Services	-8,367	
366	Gain or loss on sale of HRA fixed assets	289	10
4,196	Interest Payable and similar charges	5,676	11
-423	Interest receivable	-607	
100	Amortised Premia/Discounts	104	12
-32	Transfer from Building Works DLO Reserve	0	
4,732	Surplus (-)/Deficit (+) for the year on HRA services	-2,905	

Statement of Movement on the Housing Revenue Account Balance

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

2005/06 £000		2006/07 £000
4,732	Surplus/Deficit for the year on HRA Income and Expenditure Account	-2,905
-8,893	Net Additional amount required by statute to be debited/credited to the HRA Balance for the year	4,745
-4,161	(Increase)/Decrease in the Housing Revenue Account Balance	1,840
-6,270	Housing Revenue Account surplus brought forward	-10,431
-10,431	Housing Revenue Account surplus carried forward	-8,591

2005/06 £000		2006/07 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
0	Difference between interest payable and similar charges, including amortisation of premia and discounts determined in accordance with the SORP and those determined in accordance with statute	0
-996	Difference between any other item of income and expenditure determined in accordance with SORP and determined in accordance with statutory HRA requirements (if any)	-1,129
-366	Gain or loss on sale of HRA fixed assets	-289
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year	
-1362		-1,418
0	Capital Expenditure funded by HRA	2,000
-7,346	Transfer to/from (-) Major Repairs Reserve	4,310
-185	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income and expenditure in accordance with UK GAAP	-147
-8,893	Net additional amount required by statute to be debited/credited to the HRA Balance for the year	-4,745

Notes to the Housing Revenue Account

Note 1 Housing Stock at 31 March 2007

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,304	2,832	5,140
2 Bedroom	2,028	2,858	1,912	6,798
3 Bedroom	8,832	309	46	9,187
4+ Bedroom	242	10	0	252
Total	11,106	5,481	4,790	21,377

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

Council Dwellings	£000
As at 1 April 2006	695,989
Additions in Year	59,232
Disposals and Demolitions	-10,398
Revaluations in Year	65,854
Depreciation in Year	-7,699
Impairment	-1,129
Net Book Value as at 31 March 2007	801,849

Garages	£000
As at 1 April 2006	6,206
Additions in Year	686
Revaluations in Year	-112
Depreciation in Year	-181
Net Book Value as at 31 March 2007	6,599

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 2006	1,705,197

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.

2005/06 £000		2006/07 £000
758	Balance as at 1 April	1,283
19,511	Depreciation in the year	7,880
-7,346	Reversal of depreciation in excess of MRA	0
0	Adjustment to MRR in respect of Depreciation	4,310
-11,640	Financing of Capital Expenditure	-5,179
1,283	Balance as at 31 March	8,294

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). In 2005/6, the depreciation charged to the account less the MRA of £12.165m equalled the reversal of the depreciation figure shown above (£7.346m). However, for 2006/7, a significant change is reflected, in that total values have reduced, while land values (contained within the total values) have increased. The depreciation calculation reveals a lower figure of £7.880m, requiring a positive adjustment of £4.310m to equate to the MRA of £12.190m.

Rotherham Safe - 2010 Rotherham Ltd. has the responsibility of managing, repairing and improving the 21,000 council houses in Rotherham by investing £300 million into its Decent Homes programme, as well as creating cleaner, greener and more attractive neighbourhoods for its customers.



Note 4 Financing of Capital Expenditure

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

	2006/07 £000
Funded by Borrowing	46,000
Capital Receipts	5,947
Revenue Contributions	2,000
Government Grants/Other Capital Income	542
Major Repairs Reserve	5,179
Cash Basis	59,668
Capital Accruals	823
Total	60,491

During the year total capital receipts of £15,435,608 were received by the HRA of which £6,491,237 was available to support capital expenditure within the Housing Investment Programme overall.

To ensure that these items do not affect the amount of rent income from tenants that are required to balance the HRA budget, these costs are reversed out by means of an adjustment in the movement on the Housing Revenue Account Balance. This leaves the HRA to continue to bear its share of the Council's debt management and financing costs.

Note 5 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 2006 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 2006 and has been calculated using the 'straight line' method over 25 years.

Note 6 Impairment

An impairment charge of £1,129,000 has been included in respect of dwelling houses awaiting demolition (£1,129,000 in 2005/06).

Note 7 HRA Subsidy

2005/06 £000		2006/07 £000
27,154	Management and Maintenance	28,272
12,165	Major Repairs Allowance	12,190
0	Rent Constraint Allowance	1,530
6,393	Charges for Capital	7,757
-24	Interest on Receipts	-17
68	Admissable Allowance	34
-50,467	Guideline Rent Income	-53,627
-4,711		-3,861
-200	Defects grant and prior year adjustments	69
-4,911	Subsidy Claimable	-3,792

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. In respect of 2006/7, a further adjustment to the calculation of the HRA Subsidy has been implemented, namely the Rent Constraint Allowance (RCA). This seeks to offset lost rental income brought about by capping an Authority's average rent increase to 5%.

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

2005/06 £000	Rent Arrears	2006/07 £000
1,001	Current Tenants	893
1,143	Former Tenants	1,442
2,144	As at 31 March	2,335

As at 31 March 2007, the level of rent arrears for current tenants as a proportion of gross rent income was 1.95% (1.85% 2005/06).

2005/06 £000	Bad Debt Provision in respect rent income	2006/07 £000
932	As at 1 April	1,027
95	Increase in Provision	345
1,027	As at 31 March	1,372

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

2005/06 £000	Bad Debt Provision in respect of the rechargeable repairs	2006/07 £000
683	As at 1 April	750
299	Increase/Decrease in Provision	-86
-232	Change in the year	-530
750	As at 31 March	134

Note 9 Amortisation of Deferred Charges

In 2006/07 the amortised cost of deferred charges debited to the HRA was £147,000 (£185,000 in 2005/06).

Note 10 Gain or Loss on Sale of HRA Fixed Assets

The payment of a share of housing capital receipts to the Government counts as a loss in the HRA Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

Note 11 Interest Payable and Other Charges

The cost of external interest payable together with the cost of debt redemption premia.

Note 12 Amortised Premia/Discounts

The cost of debt redemption premia charged to the HRA in 2006/07 was £104,321 (£100,000 in 2005/06). The total comprises Premia of £119,053 and Discounts of £14,732.

The Collection Fund

Revenue Account For Year Ended 31 March 2007

£000	2005/06 £000		£000	2006/07 £000	Note
74,173		Council Tax	78,027		
<u>16,284</u>	90,457	Council Tax Benefits	<u>16,984</u>	95,011	
	<u>50,340</u>	National Non-Domestic Rates		<u>56,986</u>	2
	140,797	Total Income		151,997	
		Precepts			
77,201		Rotherham Borough Council	80,982		
7,987		South Yorkshire Police Authority	8,381		
<u>3,616</u>	88,804	South Yorkshire Fire & Civil Defence	<u>3,794</u>	93,157	
	1,714	Distribution of Collection Fund Surplus		2,555	
	49,494	Contribution to NNDR Pool		56,265	
		Provision for Bad Debts			
24		NNDR	41		
159		Council Tax	228		
<u>-2</u>	181	Community Charge	<u>-1</u>	268	
	232	Council Tax Write-Offs		354	
	535	NNDR Write-Offs		372	
	287	Collection Costs – NNDR		298	
	<u>141,247</u>	Total Expenditure		<u>153,269</u>	
	450	Deficit(+) For The Year		1,272	

The Collection Fund Balance

	2005/06 £000		£000	2006/07 £000	Note
	-2,331	Balance as at 1 April		-1,881	
	450	Deficit (+) for the year		1,272	
	-1,881	Balance as at 31 March		-609	5

Notes to the Collection Fund Statement

Note 1 Council Tax

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2006/07 is shown below.

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

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 97%
A	35,637	6/9	34,568
B	14,638	7/9	14,199
C	11,006	8/9	10,676
D	7,490	9/9	7,266
E	4,577	11/9	4,440
F	2,079	13/9	2,016
G	814	15/9	789
H	36	18/9	35
	76,277		73,989

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 £56,986,000 for 2006/07 (£50,340,000 in 2005/06) after allowing for reliefs and provisions was based on a total rateable value of £153,664,762 (£152,969,853 as at 31 March 2006) and a national multiplier of 43.3 pence in the pound and a small business rating multiplier of 42.6 pence in the pound (42.2 pence and 41.5 pence respectively in 2005/06).

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 2007 (£0.609m) represents funds ultimately to be distributed to the billing Authority (Rotherham MBC) and the major precepting Authorities (South Yorkshire Police Authority and South Yorkshire Fire and Civil Defence Authority) as follows:-

2005/06 £000		2006/07 £000
1,630	Billing Authority – Rotherham MBC	495
	Major Precepting Authorities:	
173	- South Yorkshire Police Authority	78
78	- South Yorkshire Fire and Civil Defence Authority	36
1,881	Total	609

Amounts payable to the Major Precepting Authorities are shown as Creditors in the Balance Sheet.

Note 6 Parish Precepts

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

Metropolitan Debt Administration

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

2005/06 £000	Capital Account	2006/07 £000
9,427 0	Cash Overdrawn 1 April Add: Expenditure in the year – Loans repaid	1,369 13,500
9,427	Less income:	14,869
5,000	Loans raised	10,000
3,058	Repayments by Relevant Authorities	3,364
1,369	Cash Overdrawn 31 March	1,505

2005/06 £000	Revenue Account	2006/07 £000
7,227 302	Interest Paid on Outstanding Loans Management and other expenses	6,670 298
7,529	Less: Charged to Relevant Authorities	6,968
7,529		6,968
0		0

2005/06 £000	Balance Sheet as at 31 March	2006/07 £000
105,500 1,369	Capital Liabilities Loans Outstanding Cash Overdrawn	102,000 1,505
106,869		103,505
106,869	Capital Assets Advances Outstanding	103,505
106,869		103,505

Notes to the Metropolitan Debt Administration Accounts and Balance Sheet

Note 1 Leasing Fund

The Metropolitan Leasing Fund, operated by the Council since the abolition of South Yorkshire County Council, has been wound up during 2006/07. All the assets have been disposed of, all costs fully re-charged to the constituent Authorities.

Group Income And Expenditure Account For The Year Ended 31 March 2007

Restated 2005/06 Net Expenditure £000		2006/07			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
1,903	Central Services to the Public	3,261	-1,506	1,755	
418	Court and Probation Services	363	-5	358	
21,165	Cultural, Environment & Planning Services	60,487	-38,948	21,539	
157,694	Education Services	272,659	-255,153	17,506	
11,230	Highways, Roads & Transport Services	16,484	-5,293	11,191	
3,018	Housing Revenue Account (HRA)	77,121	-83,610	-6,489	
-1,365	Other Housing Services	70,167	-68,069	2,098	
76,706	Social Services	118,672	-35,708	82,964	
5,334	Corporate & Democratic Core	8,362	-2,987	5,375	
-20,731	Non Distributed Costs	7,024	-20	7,004	
7,290	Exceptional Items	0	0	0	
262,662	Net Cost Of Services	634,600	-491,299	143,301	
1,747	Gain or loss on disposal of fixed Assets	559	0	559	
1,694	Parish Council Precepts	1,820	0	1,820	
15,935	County and Other Levies	18,883	0	18,883	
-317	Surplus (-)/Deficit (+) on Trading Operations	178	0	178	
13,397	Interest Payable or Similar Charges	16,378	0	16,378	
46	Tax Payable	17	0	17	
158	Cost of Repurchasing borrowing	144	0	144	
-2,570	Interest & Investment Income	0	-5,479	-5,479	
0	Prior year adjustment	0	0	0	
6,853	Pension Interest Cost and Expected Return on Pensions Assets	3,713	0	3,713	
16,152	Contribution to Housing Pooled Capital Receipts	7,913	0	7,913	
315,757	Net Operating Expenditure	684,205	-496,778	187,427	

Group Income And Expenditure Account (continued)			
Restated 2005/06 Net Expenditure £000		2006/07 Net Expenditure £000	Note
315,757	Brought forward	187,427	
-152,684	General Government Grants	-15,813	
-6,222	PFI Support Grant	-6,222	
-83,822	Non Domestic Rates Distribution	-81,918	
-77,201	Demand on the Collection Fund	-80,982	
-1,500	Transfer to(+)/from(-) the Collection Fund in respect of surpluses	-2,250	
-5,672	Income and Expenditure Account Deficit (+)/Surplus (-)	242	
-2,821	General Fund balance attributable to school budgets	-4,329	

Group Statement of Total Recognised Gains and Losses

This reconciliation summarises the difference between the outturn on the Group Income and Expenditure Account and the General Fund Balance.

Group Statement of Total Recognised Gains and Losses

Restated 2005/06 £000		2006/07 £000
-5,672	Net surplus (-) or deficit (+) for the year	242
180,081	Surplus (-) or deficit (+) on revaluation of fixed assets	-155,907
5,951	Actuarial gains and losses on the pension fund assets and liabilities	-44,371
-12,407	Any other gains (-) and losses (+) recognised in the STRGL	-2,064
-167,953	Total recognised gains (-) or losses (+) for the year	202,100

Group Accounts Balance Sheet as at 31 March 2007

Restated 2005/06			2006/07		Note
£000	£000		£000	£000	
	779	Intangible Assets		264	
		Tangible Fixed Assets			
		Operational Assets			
695,989		Council Dwellings	801,849		
260,397		Other Land and Buildings	368,760		
1,973		Vehicles, Plant, Furniture and Equipment	1,132		
38,503		Infrastructure Assets	43,705		
7,971		Community Assets	7,884		
<u>1,004,833</u>			<u>1,223,330</u>		
43,973		Non-Operational Assets	<u>58,147</u>		
	1,048,806	Total Fixed Assets		1,281,477	
	12,000	Long-term Investments		14,000	
	7	Investment in Associates		9	
	5,270	Long-term Debtors		8,865	
	1,050	Deferred Premiums on early repayment of debt		<u>875</u>	
	<u>1,067,912</u>	Total Long-Term Assets		<u>1,305,490</u>	
		Current Assets			
		Stocks and Work in Progress	1,094		
1,312		Debtors	47,235		
56,944		Landfill Usage Allowance	1,927		
1,880		Short-term Investments	112,990		
57,070		Cash in hand or at Bank	<u>214</u>		
<u>8,596</u>			<u>163,460</u>		
<u>125,802</u>		Current Liabilities			
		Creditors	-85,588		
-80,563		Temporary Loans	-5		
-1,941		Deferred Liabilities	-604		
-549		Balance at Bank - overdrawn	<u>-8,732</u>		
<u>0</u>			<u>-94,929</u>		
<u>-83,053</u>	42,749			68,531	
	<u>1,110,661</u>	Total Assets less Current Liabilities		<u>1,374,021</u>	
		Long-term Borrowing	-276,346		
-198,803		Deferred Liabilities	-16,295		
-16,899		Provisions	-7,083		
-6,990		Government Grants Deferred	-57,042		
-46,033		Unapplied Capital Grants Contribution	-23,551		
-13,777		Pensions Liability	<u>-164,271</u>		
<u>-200,826</u>	<u>-483,328</u>			<u>-544,588</u>	
	627,333	TOTAL ASSETS less LIABILITIES		829,433	

Group Accounts Balance Sheet (continued)

Restated 2005/06			2006/07		Note
£000	£000		£000	£000	
	228	Deferred Capital Receipts		201	
	577,031	Fixed Asset Restatement Account		717,325	
	194,600	Capital Financing Account		218,006	
	-5,488	Capital Receipts Unapplied		-5,389	
	-200,826	Pensions Reserve		-164,271	
58,875		Other Reserves	54,772		
<u>1,283</u>	60,158	Major Repairs Reserve	<u>8,294</u>	63,066	
	1,630	Collection Fund		495	
	627,333	TOTAL EQUITY		829,433	



Rotherham Proud - All Saints Square in Rotherham Town Centre is a fine example of the sense of pride across the Borough and is proof of its caring and welcoming atmosphere.

Group Accounts Cash Flow Statement For The Period Ended 31 March 2007

2005/06			2006/07	
£000	£000		£000	£000
		Revenue Activities		
		Cash Outflows:		
282,553		Cash paid to and on behalf of employees	323,066	
262,771		Other Operating Costs	255,745	
15,419		Housing Benefit paid out	16,702	
49,551		National non-domestic rate payments to pool	57,493	
13,511		Precepts paid	14,300	
<u>16,152</u>	639,957	Payments to Capital Receipts Pool	<u>10,012</u>	677,318
		Cash Inflows:		
-20,942		Rents (after rebates)	-21,056	
-73,377		Council Tax Income	-77,660	
-83,822		National non-domestic rates receipts from pool	-81,918	
-47,731		National non-domestic rate income	-52,566	
-152,684		Revenue Support Grant	-15,813	
-15,327		DWP Housing Benefit Grant	-16,584	
-142,946		Other Government Grants	-308,636	
-108,510		Cash received for Goods and Services	-123,115	
<u>-20,895</u>	-666,234	Other Operating Cash Receipts	<u>-19,034</u>	-716,382
		Servicing Of Finance		
		Cash Outflows:		
12,313		Interest Paid	14,220	
		Cash Inflows:		
<u>-2,189</u>	10,124	Interest Received	<u>-3,678</u>	10,542
	-16,153	Net Revenue Cash Outflow(+)/Inflow(-)		<u>-28,522</u>
		Capital Activities		
		Cash Outflows:		
90,120		Purchase of Fixed Assets	120,863	
<u>8,000</u>	98,120	Purchase of Long Term Investments	<u>2,000</u>	122,863
		Cash Inflows:		
-30,275		Sale of Fixed Assets	-18,827	
-27,491		Capital Grants Received	-22,342	
<u>-9,112</u>	-66,878	Other Capital Income	<u>-16,521</u>	-57,690
	15,089	Net Cash Outflow(+)/Inflow(-)		<u>36,651</u>
		Acquisitions And Disposals		
	-2,100	Sale of Long Term Investment	0	
	<u>2</u>	Investment in Associates or Joint Ventures	0	<u>0</u>
	12,991	Net Cash Outflow(+)/Inflow(-) Before Financing		36,651
		Management Of Liquid Resources		
26,735		Net increase/decrease in short term deposits	55,920	
<u>0</u>	26,735	Net increase/decrease in other liquid resources	<u>0</u>	55,920
		Financing		
	95,340	Cash Outflows:		
		Repayments of amounts borrowed		185,654
		Cash Inflows:		
-35,000		New Loans Raised	-126,725	
<u>-96,550</u>	-131,550	New Short Term Loans	<u>-134,537</u>	-261,262
	3,516	Cash decrease		16,963

Notes to the Group Accounts

The 2005 SORP required 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 could 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 34 to the Core Financial Statements: 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) Ltd, an associate of which the Council owns 19.9%.

Details of financial performance of these companies are shown in Notes 5 and 34 to the Core Financial Statements.

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) Ltd and the Council.

2 Group Income and Expenditure Account

The Group Income and Expenditure Account has been prepared incorporating the results of 2010 Rotherham Ltd after having eliminated Intra group realised losses amounting to £1,134,000.

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 £7,183,000 paid by the Council to 2010 Rotherham Ltd has been eliminated on consolidation.

Taxation shown of £21,000 arises on the losses of 2010 Rotherham Ltd.

3 Group Balance Sheet

Intangible Assets

Set up costs, capitalised incorrectly in 2005/06, have now been reversed.

Current Assets and Liabilities

At 31 March 2007 2010 Rotherham Ltd owed the Council £12,618,422 and was owed £11,319,610 by the Council. These balances have been eliminated on group consolidation.

Pensions Liability

The Pensions liability of 2010 Rotherham Ltd at 31 March 2007 was £7,203,000.

4 Group Cash Flow Statement

The change in the cash position over the Council's Cash Flow Statement reflects the Group decrease of £668,000.

5 RBT Contract – Non-Distributable Reserve Account

The following amounts are included in the Non-Distributable Reserve Account:

	RMBC £	RBT £	Total £
2005/06	263,250	321,750	585,000
2006/07	925,000	925,000	1,850,000
Total	1,188,250	1,246,750	2,435,000

Funds are credited to the Non-Distributable Reserve Account when the Project Internal Rate of Return (IRR) increases above 20.9%, the Threshold IRR.

Funds can only be removed from the Non-Distributable Reserve Account in the following circumstances:

- (i) If the Project IRR falls below 20.9%. Funds can be removed to bring it back up to the Threshold IRR.
- (ii) To fund any capital expenditure associated with a Change in Law or a Qualifying Change in Law Variation, where both parties consent.
- (iii) On expiry or termination of the contract.

Additional Information

Statement of Internal Control (SIC)

Audit Certificate

Glossary

Rotherham MBC Statement of Internal Control (SIC) and Broader Governance Statement 2006/07

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
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- 3.9 Capacity and Capability
- 3.10 Internal Audit Function
- 3.11 External Audit and Statutory Inspection
- 3.12 Information Governance
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4 Review of Effectiveness

- 4.1 Monitoring Officer and Legal Framework
- 4.2 Policy Alignment
- 4.3 Corporate Governance Review
- 4.4 Risk Management
- 4.5 Performance Management
- 4.6 Financial Management
- 4.7 Financial Regulations
- 4.8 Human Resources (Capacity, Workforce and Member Development)
- 4.9 Internal Audit
- 4.10 Comprehensive Performance Assessment
- 4.11 Information Governance
- 4.12 Complaints

5 Significant Internal Control Issues

- 5.1 Follow up on 2005/06 significant internal control issues
 - 5.1.1 RBT (Connect) Ltd
 - 5.1.2 2010 Rotherham Limited
 - 5.1.3 Adult Social Services
 - 5.1.4 Partnerships' Governance Arrangements
- 5.2 Significant internal control issues arising from the 2006/07 review of the effectiveness of the system of internal control
 - 5.2.1 Payroll
 - 5.2.2 2010 Rotherham Limited
 - 5.2.3 Yorkshire Purchasing Organisation (YPO)
 - 5.2.4 South Yorkshire Trading Standards Unit
 - 5.2.5 Asset Information
 - 5.2.6 Criminal Records Bureau (CRB) Checks
 - 5.2.7 Local Government Ombudsman Complaints
 - 5.2.8 Footpaths Inspection

6 Leader And Chief Executive Statement of Assurance

Rotherham Metropolitan Borough Council Statement on Internal Control and Broader Governance Statement 2006/07

1 Scope of Responsibility

Rotherham Metropolitan Borough Council (Rotherham MBC) 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 MBC 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 MBC during the year ended 31st March 2007 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 MBC are:

3.1 Legal Framework

Council decisions are scrutinised 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 Assistant Chief Executive - 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: The Local Strategic Partnership, RBT, South Yorkshire Police, Private Finance Initiative (PFI) Partners, Voluntary & Community Sectors, the local NHS bodies.

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. A Corporate Governance Group consisting of officers and Cabinet Members reviews compliance with the standards.

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 directors are actively managing.

The Corporate Governance Group considers strategic risk management issues and liaises with an operational risk management group.

3.7 Performance Management Framework

The Council's performance management framework has recently been updated as part of the Council's drive towards continuous improvement. The Council has also been proactive in sharing its own performance management framework across the Local Strategic Partnership (LSP), encouraging LSP partners to link up with the Council's performance data system so integrated monitoring can take place across all community strategy and local area agreement objectives.

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 Strategic 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 Strategic 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 and in the case of Managers through a Development Centre approach. Individuals' targets are defined from service and team plans. The Council has entered into a partnership with Leeds Met University for the provision of bespoke and accredited management training.

The Council has a Confidential Reporting code for staff.

3.10 Internal Audit Function

The Council maintains an Internal Audit Section, which operates to the standards set out in the CIPFA '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 auditors who look to 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 External Audit Report and Annual Audit and Inspection Letter.

3.12 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.

3.13 Complaints

The Council has an internal complaints procedure, stage 3 of which is chaired by a panel of 3 independent Members. Complaints relating to Adult Social Care and Children's Social Care are covered by their own legislative guidelines. This is still a 3 stage process although the third stage panel is chaired by an independent person.

4 Review Of Effectiveness

The Council has responsibility under the Accounts and Audit Regulations to conduct, at least annually, a review of the effectiveness of the system of internal control. Review work has been undertaken in all key areas during 2006/07:

4.1 Monitoring Officer and Legal Framework

Revised Terms of Reference for the Audit Committee have been approved. The Scheme of Delegation has been amended to reflect revised Cabinet Member portfolios. 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 has drafted 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. No elected Members have been found in breach of the Code of Conduct.

Training on the Code of Conduct for new Elected Members was delivered immediately following the election and this will be repeated following the 2007 election. External training for Members is being commissioned for later in the year when the Council has adopted its new Code of Conduct, in line with the recently issued revised Model Code.

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 the Audit Committee and Standards Committee recommending publicity in appropriate cases for proven cases of fraud.

An ethical audit has been undertaken through questionnaires to Members and senior officers. The results have been reported to the Standards Committee and the Audit Committee and an action plan agreed. This will be monitored after six months.

Revised contract Standing Orders have been adopted by the Council.

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 a month-by-month basis.

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

4.3 Corporate Governance Review

For 2006/07, the Council's SIC Database Package has again been used as a basis for assessing good Corporate Governance. The Local Code of Corporate Governance that was reviewed in March 2006 has been improved further in March 2007 in anticipation of the revised CIPFA/SOLACE governance framework scheduled for publication in June 2007. Further work has been undertaken to identify the Council's key partnerships and test the extent of good governance of partnerships.

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

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

Signed Statements of Assurance have been obtained from Cabinet Members regarding:

- The Council's purpose and outcomes for citizens and service users
- Performing effectively in clearly defined functions roles
- Promoting values and good governance through behaviour
- Taking informed transparent decisions and managing risk
- Developing Cabinet capacity and capability
- Engaging stakeholders and making accountability real.

The Cabinet Member for Neighbourhoods made additional comments in her Statement regarding the management of 2010 Rotherham Limited. The comments are reflected in the section "Significant Internal Control Issues" at 5.2.2.

4.4 Risk Management

Our approach to risk management is comprehensive and effective. Risk management is embedded into the service planning process.

During 2006/07 a complete refresh of the corporate risk register was undertaken involving wide consultation with officers and Members.

A further staff and Member survey was carried out to identify overall progress made since the 2005 survey. The results confirmed that Rotherham warranted the Level 4 (out of 4) status we achieved against the Use of Resources key lines of enquiry criteria.

During 2006/07 Internal Audit has undertaken a systems review of risk management procedures and a number of individual Service Area risk management reviews. Internal Audit has concluded that the Council's system can be relied upon for identifying significant risks.

4.5 Performance Management

Our increasing focus on performance in recent years is evidenced by our CPA direction of travel judgement of "improving well". For the last consecutive 3 years the Council has demonstrated high rates of improvement in its key performance indicators:

- 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 and one of the top 8 in the country
- 2005/2006 – 69% key indicators show improvement this year.

As part of the Council's corporate assessment in June 2006, Rotherham MBC was the first council to be rated 4 out of 4 for its performance management arrangements. The Audit Commission's Corporate Assessment Report stated:

"The Council has a consistent and rigorous approach, underpinned by a comprehensive and clearly set out performance management framework with associated guidance. These provide it with the tools to manage performance effectively, tackle under-performance and maintain a focus on improving against corporate priorities".

"The Council is performing strongly in this area. Improved performance management has had a real impact and is a major reason for the Council's recent improvement".

The Council has subsequently hosted 2 national Performance Management events to demonstrate the best practice in this area. These have been attended by over 60 different authorities to date.

All external audit and inspection recommendations are tracked centrally and form part of the quarterly reporting to CMT, the Audit Committee and Scrutiny. This was also cited as good practice in the 2006 Corporate Assessment:

"The Council welcomes and responds well to external challenge and has an excellent record of compliance with recommendations from audit and Inspectorates".

4.6 Financial Management

Our financial position is strong, and we hold some £45 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 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 restructuring of the Financial Services Directorate below the Directors of Service, and progress has been recognised by our external auditors.

Our track record on achieving value for money in the way we manage our finances is strong. The Audit Commission rated us 4 out of 4 in our Use of Resources assessment 2006, which puts the Council nationally within the top 10% of local authorities and reflects the significant improvement in the services delivered by Financial Services over the last 12 months.

We are continuing to carry 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.

4.7 Financial Regulations

The Council's Financial Regulations were rewritten in 2004/05 and modelled on CIPFA best practice. They were augmented in 2006 by the addition of a series of user friendly 'guidance notes' which explain and promote best practice.

4.8 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. We have also adopted the National Pay and Workforce Strategy. 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 also ran a successful showcase event for the Improvement and Development Agency in May 2007, displaying to other councils our approach to cultural change within the workforce.

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. We will become one of the first councils to use the 'Profile' approach in order to re-evaluate under the Investors in People process in June 2007.

4.9 Internal Audit

During 2005/06 the Council's external auditors, KPMG, carried out a review of Internal Audit measuring performance in relation to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Standards. This assessment concluded overall that KPMG could rely on the work of Internal Audit. It also showed that 7 out of 10 of the CIPFA Standards had been fully achieved and the remaining 3 'partially achieved'.

CIPFA revised its internal audit standards during 2006 and added a further standard on professional 'Ethics'. KPMG has recently reviewed Internal Audit's Ethics arrangements and the Section's progress in the 3 areas not fully compliant last year. KPMG has confirmed that Internal Audit now meets all of the respective requirements, meaning that the Section now fully complies with all current CIPFA professional standards for internal audit.

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 well (score 3) in CPA 2006.

With the exception of the culture service block all service blocks are currently rated 3 or above and in the next year work is ongoing to ensure the culture block rating is improved to 3 to enable the Council to obtain excellent status.

In June 2006 the Council was subject to its Corporate Assessment and was rated 3 out of 4. At the time of publication of the report Rotherham MBC was the highest scoring Authority in terms of Corporate Assessment scores, with a maximum score of 4 out of 4 for performance management and 3 across all other areas.

Internal control issues form a significant part of the CPA for the Use of Resources Key Lines of Enquiry. In the 2006 CPA assessment the elements relating to Internal Control were scored 4 (out of 4) – i.e. "consistently performing well above minimum requirements – performing strongly".

During the audit, a number of areas where the Council has demonstrated notable practice relating to Internal Control were identified:

- Embedding the assurance framework fully in the Council's business processes
- Embedding risk management
- Establishing an effective audit committee.

4.11 Information Governance

The Council's Information Governance Group meets monthly and reports regularly to the Corporate Governance Group. The group works to a specified action plan to address areas of non-compliance. Measures have been identified to ensure compliance with new information legislation and technical requirements. All actions identified have been completed or are in progress.

4.12 Complaints

For four consecutive years the Local Government Ombudsman (LGO) has not issued any reports of maladministration. Over the last year our performance in responding to all complaints improved from 67% to 81% from the previous year.

Over the same period there was a slight improvement in response times to the LGO although the Council is still failing to meet the target response time set by the LGO (see Section 5.2.7).

A new Corporate Complaints system "Complaint, Compliment and Comment" was introduced from the end of May 2007. This provides the Council with a corporate system including the complaints information of each directorate, as well as allow for more timely reporting and trend analysis.

Additionally, the complaints process is being integrated in to the Customer Relationship Management system to enable a more holistic view of our customers and their interactions with the Council and aid future service design.

Our annual corporate complaints review has highlighted some opportunities for further improvement and over the coming year a further review of the corporate complaint procedure is going to be undertaken in order to ensure that it remains fit for purpose and best practice.

5 Significant Internal Control Issues

5.1 Follow up on 2005/06 significant internal control issues

The issues raised in the 2005/06 SIC have been addressed as follows:

5.1.1 RBT (Connect) Limited

In 2006 the Statement on Internal Control noted the need for service level agreements relating to the RBT contract between the Council and BT to be updated, and for affordability issues relating to staff transfers to be clarified.

Both issues have been subsumed into a broader review of the partnership.

5.1.2 2010 Rotherham Limited

Responsibility for the management and improvement of council dwellings was delegated in May 2005 to 2010 Rotherham Limited, a 100% Council owned arms length housing management organisation. In line with last year's disclosure, 2010 Rotherham Limited has continued to establish greater independence from the Council.

See also 5.2.2 below for details of issues arising during 2006/07.

5.1.3 Adult Social Services

An overspend in 2005/06 on the Adult Social Services budget was addressed by the Council. The service reported an underspend against revised estimate for 2006/07.

5.1.4 Partnerships' Governance Arrangements

Following on from the partnerships' governance assurance work commenced in 2005/06, the Council has mapped its significant partnerships and is reviewing the governance arrangements of these partnerships.

5.2 Significant internal control issues arising from the 2006/07 review of the effectiveness of the system of internal control.

The following issues have arisen during 2006/07:

5.2.1 Payroll

During 2006/07 an internal audit found that there were opportunities to improve the following aspects of the payroll system:

- Reconciliation of the payroll system's transactions control totals to the main accounting system
- Clearance of suspense accounts
- Avoidance of overpayments.

Management has accepted the importance of addressing these issues and is taking action to do so. Internal Audit is monitoring progress.

5.2.2 2010 Rotherham Limited

An internal review completed by the Council found that there was scope to develop further 2010 Rotherham Limited's governance arrangements, financial management and administration, including its budgeting and budget monitoring, and its performance management arrangements.

The Council is supporting 2010 Rotherham Limited to improve the current situation and is closely monitoring progress.

5.2.3 Yorkshire Purchasing Organisation (YPO)

Rotherham MBC procures a large number and value of items from the YPO and receives a dividend as a stakeholder in the organisation. In 2006 Wakefield MDC, lead Authority for the YPO, identified opportunities to improve the YPO's financial management and internal control arrangements.

The YPO has put in place a remedial plan and Rotherham MBC and other local authority partners are closely reviewing progress. Rotherham MBC will examine the YPO's governance arrangements as part of the Council's review of its significant partnerships.

5.2.4 South Yorkshire Trading Standards Unit

Investigations are continuing into financial irregularities at the South Yorkshire Trading Standards Unit, which came to light in December 2005. The four South Yorkshire councils have each provided for potential losses resulting from the irregularities.

5.2.5 Asset Information

An Internal Audit review highlighted a need to improve information flows relating to property developments, acquisitions and disposals, to ensure asset management and insurance records are complete and accurate. Managers have introduced new procedures to improve the arrangements.

5.2.6 Criminal Records Bureau (CRB) Checks

Internal Audit has identified a need to keep better records of CRB checks carried out by the Council on relevant staff groups. Procedures are being strengthened.

5.2.7 Local Government Ombudsman Complaints

The Local Government Ombudsman (LGO) asked the Council in her 2005/06 annual letter to look at how it could respond more quickly to requests for information from the LGO Office. The Council took on average approximately 6 days longer than the 28 days target response time for responding to the LGO. In order to remedy this, a number of measures are being introduced including a local performance indicator to measure compliance with this target.

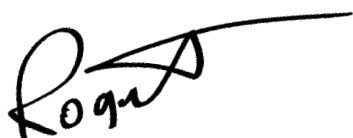
5.2.8 Footpaths inspection

A review of the insurance claims history has highlighted a need for 2010 Rotherham Limited and the Council to improve the housing footpaths inspection programme. The Council and 2010 Rotherham Limited are exploring options for introducing a more robust inspection regime.

6 Leader And Chief Executive Assurance Statement

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 auditors' report to the Members of 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 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, and the related notes and the Group accounts. 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 2006 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 present fairly the financial position of Rotherham Metropolitan Borough Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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 in 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.

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 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended.



KPMG LLP
Chartered Accountants
Leeds
26 September 2007

The maintenance and integrity of the Rotherham Metropolitan Borough Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Glossary

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

Terms used:	Definition of Terms:
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the Council's own policies.
Asset Management Revenue Account (AMRA)	An account maintained to record the costs of the Authority's Fixed Assets. It is credited with amounts charged to individual services for the use of those assets.
Budgets	A statement of the Council's forecast spend ie net revenue expenditure for the year.
Business Rates	See National Non-Domestic Rates.
Capital Charge	This represents a charge made to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition of a fixed asset of expenditure that adds to and not merely maintains the value of an existing fixed asset.
Capital Financing Account	An account maintained to hold the transactions relating to the financing of capital expenditure.
Capital Receipts	Proceeds or money received from the sale of land or other capital assets. Under the Local Government Act 1989, a proportion must be set aside to provide for the repayment of debt and the balance is available to finance new capital expenditure.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.
Community Assets	These are assets that the Council intends to hold in perpetuity, which have an indeterminable useful life and in addition may have restrictions on their disposal. Examples include parks, historic buildings and cemeteries.
Contingent Liability	A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.

Council Tax	This is a banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.
Creditors	An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.
Debtors	Sums of money owed to the Council but not received at the end of the year.
Deferred Charges	Expenditure which may properly be incurred, but which does not result in an asset owned by the Council. Examples of deferred charges are expenditure on items such as improvement grants.
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
DSG	Dedicated Schools Grant – a ring-fenced grant for Schools paid by the Department for Education and Skills (DfES) to the Local Authority; it replaces the Schools Formula Spending Share (FSS).
Earmarked Reserve	A sum set aside for a specific purpose.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arms length transaction, less, where applicable, any grants receivable towards the purchase of the use of the asset.
Fees and Charges	Income arising from the provision of services e.g. the use of leisure facilities.
Fixed Asset Restatement Account	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.
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 through key indicators of related parties are if:</p> <ul style="list-style-type: none"> • One party has direct or indirect control of the other party: • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.

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

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