

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2007/08

Contents	Page Number
Statement of Responsibilities for the Statement of Accounts	1
Foreword by the Strategic Director of Finance	2
Introductory Statements	12
Statement of Accounting Concepts and Policies	13
Main Financial and Notes to the Core Financial Statements	25
Income and Expenditure Account	26
Statement of Movement on the General Fund Balance	27
Statement of Total Recognised Gains and Losses	28
Balance Sheet	29
Cash Flow Statement	31
Notes to the Core Financial Statements	32
Trading Accounts – Summary Revenue Account	35
Financial Instruments	53
Total Movement in Reserves	81
Other Financial Statements and Notes to the Other Financial Statements	90
Housing Revenue Account (HRA) Income and Expenditure Account	91
Statement of Movement on the HRA Balance	92
Collection Fund	97
Metropolitan Debt Administration	100
Group Accounts	103
Additional Information	110
Annual Governance Statement	111
Certification	128
Glossary	130

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 24 September 2008.

Signed on behalf of Rotherham MBC



Date..... 24/9/08

Audit Committee Chair

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 2008 and its income and expenditure for the year then ended.

Signed.....

A A Bedford, BA(Hons), CPFA

Date..... 24/9/08

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 2008 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 Concepts and Policies' (Page 13). 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:

- **Statement of Responsibilities for the Statement of Accounts (Page 1)** – which details the respective responsibilities of the Authority and its chief financial officer for the accounts
- **An explanatory foreword** – which details the most significant matters reported in the accounts
- **A Statement of Accounting Concepts and Policies (Page 13)** – 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
- **The accounting statements and related disclosure notes** – which are explained in Section 2 of this Foreword.

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 thereafter:

Income and Expenditure (IE) Account (Page 26) - 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 27) - 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 28) – 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 29) – this Statement shows the Council's overall financial position as at 31 March 2008 in terms of its assets and liabilities.

The Cash Flow Statement (Page 31) – 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 91)** – 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 97)** – 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 100)** – under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at 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 103)
- Group Statement of Total Recognised Gains and Losses (Page 104)
- Group Balance Sheet (Page 105)
- Group Cash Flow Statement (Page 107)

2.1 General Fund Services

For 2007/08 Rotherham Metropolitan Borough Council set a Revenue Budget of £199.431m before the budgeted Private Finance Initiative grant of £6.223m and support through use of balances of £3.000m.

The actual outturn of £194.921m (before PFI grant of £6.223m) meant the Council made a net contribution of £1.510m to general balances. The overall position is summarised below:

2006/07				2007/08		
Original Estimate £m	Actual £m	Variance £m		Original Estimate £m	Actual £m	Variance £m
197.863	193.764	-4.099	Total Net Expenditure	199.431	194.921	-4.510
-6.249	-2.150	4.099	Contributions to (+)/from (-) Balances	-3.000	1.510	4.510
191.614	191.614	0.000	Spending	196.431	196.431	0.000
1.820	1.820	0.000	Add Parish Council Precepts	1.891	1.891	0.000
193.434	193.434	0.000	Total	198.322	198.322	0.000
			Funded by:			
15.813	15.813	0.000	Revenue Support Grant	14.699	14.699	0.000
81.918	81.918	0.000	Share of NNDR Pool	87.586	87.586	0.000
6.222	6.222	0.000	PFI Grant	6.223	6.223	0.000
83.232	83.232	0.000	Receipts from Collection Fund	86.814	86.814	0.000
187.185	187.185	0.000	Total	195.322	195.322	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 £4.510m below the approved Budget and the principal reasons for this variation were as follows:

- An increase in schools delegated balances (£3.035m)
- Savings against Directorate's cash-limited budgets: Neighbourhoods and Adult Services (£0.346m) Financial Services (£0.136m) and Chief Executive

(£0.111m), whilst the Children and Young People's Service overspent (£0.574m)

- Unbudgeted income under the latest allocations of Local Authority Business Growth Incentive Scheme (LABGI) notified to the Council in April 2008 (£0.945m) and slippage of approved spend against previous LABGI grant allocations (£0.558m).
- Savings through Treasury Management activities (£0.206m)

The Council adopts a system of cash-limited budgeting for each Service. Subject to consideration by the Cabinet, and in accordance with the Council's approved scheme for the carry forward of year-end balances, certain under or over-spent balances are carried forward into the following financial year as a supplement to, or reduction of, that year's budget.

Within Council balances at 31 March 2008, there is a sum of £8.103m relating to School Delegated Budget arrangements as follows:

2006/07 £m		2007/08 £m
1.043	Schools' Declared Savings	0.739
4.329	Unspent Schools' Budgets	7.364
5.372	Total	8.103

2.2 Housing Revenue Account Income and Expenditure Account

For 2007/08, the Income and Expenditure Account reflects an accounting deficit on HRA services of £46.516m, prior to adjustments to equate this to the actual HRA deficit for the year of £2.111m. The difference is due principally to the Depreciation and Impairment calculations which are required to be shown in the HRA Income & Expenditure Account but then adjusted for in determining the actual deficit needing to be funded by HRA balances. The sum of £44.405m has been credited to the HRA Statement of Movement on HRA Balance to give the overall reduction in the HRA balance of £2.111m.

The £44.405m net credit in the Statement of Movement on the HRA Balance comprises adjustments for the following: Gain/loss on sale of Fixed assets, capital expenditure funded directly from revenue, an adjustment for depreciation being greater than the Major Repairs Allowance received in the year and writing-out the value of deferred charges (capital expenditure which does not create a tangible asset).

The principal reasons for the overall reduction in the HRA balance were:

- An additional revenue contribution made to support capital expenditure of £1.028m. This was to fund the cost of upgrading the ROCC IT system to support the implementation of hand held technology for repairs operatives. This cost will be funded over the next three to four years on an Invest to Save basis by the efficiency savings achieved by 2010 Rotherham Ltd.
- Supervision and Management costs, particularly the cost of District Heating schemes (£0.455m, principally due to increased gas prices) and the cost of administering abortive Right to Buy applications (£0.150m) which cannot be offset against receipts from the sales in the same way that the cost of administering completed sales can be.

- The cost of interest on debts to be repaid was greater than expected (£0.416m).
- The Management Fee to the ALMO (2010 Rotherham Ltd) was increased by £0.198m to fund additional pension costs, in line with the Management Agreement.

These additional cost pressures were partially offset by:

- Repairs budgets out-turned under the overall budget (although responsive repairs overspent and planned maintenance was under spent).
- Lower than expected bad debt provision for both rent arrears and tenants rechargeable repairs (£0.116m).
- Increased interest receivable (£0.110m).

2.3 Trading Services

The Authority's Trading Services generated a net deficit of £0.086m in 2007/08 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:

- those which trade substantially with the public and whose activities are reflected in the revenue budget/outturn of the relevant service;
- 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 35) is included later within this Statement of Accounts.

3 Capital Spend and Borrowing in 2007/08

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

- Total capital expenditure in 2007/08 amounted to £160.902m and comprised the following:

	2007/08 Actual £m
Children & Young People Services	14.372
Neighbourhoods	
- Housing Investment Programme Element	80.232
- General Fund Element	7.695
Adult Social Services	11.217
Environment & Development Services	36.894
Culture and Leisure	6.338
Financial Services	4.154
Total	160.902

(b) Financing of this expenditure is analysed below:

	2007/08 £m
Loans	82.509
Major Repairs Allowance (MRA)	20.606
Grants & Other Contributions	47.612
Capital Receipts	6.074
Internal Funds (e.g. Reserves, etc)	4.101
Total	160.902

(c) Major items of capital expenditure incurred during 2007/08 are shown below:

	2007/08 £m
<u>Non Housing</u>	
Leisure Facilities	4.310
Flood Alleviation Scheme	7.019
Brookfield Park Landscaping	0.823
Magna Business Incubation	4.199
Dinnington Business Centre	0.852
Westgate Demonstrator Project (Various Sites)	4.071
Breathing Space Project	0.722
Dinnington Colliery Redevelopment	1.402
Catcliffe Interchange	1.461
Purchase of Containers for Alternate Weekly Collection	0.925
West Bawtry Road/Whiston Cross Roads	4.266
Anston Brook Junior School	0.677
Kilnhurst Primary Flood Damage	0.924
ICT Strategy	1.815
Adult Modernisation Strategy	10.366
ROCC Upgrade and Hand Held Technology	1.028
<u>Housing Investment Programme</u>	
District Heating Conversions	1.722
Disabled Adaptations – Public Sector	2.283
Replacement of Central Heating	2.315
Flood Costs	1.118
Wharncliffe	0.835
Decent Homes – Phase II	68.903
Disabled Adaptations – Private Sector	1.684
Housing Pathfinder Projects	4.181

(d) The Council's borrowing activities based upon principal amounts during 2007/08 are summarised below:

2006/07 £m		2007/08 £m
198.803	Balance as at 1 April	276.346
77.543	Plus: New long-term borrowing	105.000
0.000	Re-classified as temporary borrowing (repayable in following financial year)	0.000
276.346	Balance as at 31 March	381.346

The Council's operational boundary for external debt for the year was £487.080m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £585.794m.

Temporary Borrowing

2006/07 £m		2007/08 £m
1.941	Balance as at 1 April	0.005
	Plus:	
134.537	New temporary borrowing	260.775
0.000	Re-classified from long-term borrowing	0.000
136.478		260.780
	Less:	
-136.108	Repayments in the year	-260.780
-0.365	Repayment of prior year's reclassified long-term borrowing	0.000
-136.473		-260.780
0.005	Balance as at 31 March	0.000

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 HRA 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.

In 2007/08, Rotherham MBC received £12.312m in MRA, which was added to a balance of £8.294m brought forward from 2006/07. All of the MRA resources available in the year (£20.606m) were utilised in 2007/08 and therefore there will be no Major Repairs Allowance carried forward into 2008/09 within the Major Repairs Reserve (MRR).

5 RBT (Connect) Ltd

On 17 April 2003 the Authority signed a strategic partnership with BT plc, 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 the Council service charge is approximately £220m.

6 Private Finance Initiatives

Schools

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. The contract commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m.

Sport and Leisure Facilities

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand alone swimming pool and a joint service centre. The Authority has been awarded £24.954m of PFI Credits to support the scheme. The contract with DC Leisure Management Ltd was signed on 7 June 2007, and construction is proceeding at all four sites. The first facility, the Maltby Joint Service Centre is scheduled to open at the end of July 2008. The contract commences in July 2008 and runs until October 2041, with a capital value of £38m.

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 are continuing, with contract signature expected later in 2008.

Waste Management PFI

The Council is working with Barnsley and Doncaster Councils to develop a waste management PFI to deal with the three authorities' residual waste. We have been jointly awarded £77.4m of PFI Credits to support this Project. The procurement process has now commenced, with contract award programmed for July 2010.

7 Arm's 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.

8 Pensions

This Statement incorporates the full effect of FRS17 – Retirement Benefits, the purpose of which is to ensure that this Statement reflects at fair value the

assets and liabilities underlying the Council's obligation relating to retirement benefits, and that the true cost of these obligations is recognised.

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

Currently the South Yorkshire Pension Fund is in a deficit position and the impact of incorporating the FRS 17 requirements has been to show a Pensions liability in the Balance Sheet of £231.4m, which is an increase in the deficit of £74.4m on the position as at 31 March 2007. This liability represents the Council's share of the overall deficit on the Fund.

Employers' 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 2007.

The pension costs shown within the Housing Revenue Account (HRA) reflect the current service costs relating to HRA staff. The HRA's apportioned share of the interest cost and expected return on assets has been included in net operating expenditure. The impact of these adjustments is reversed by an appropriation to the Pension Reserve, so that the pension cost to be funded from rents equates to the actual pensions related payments for the year.

9 Exceptional Items

Storms and Flooding June 2007

The Income and Expenditure Account includes an exceptional item in respect of the costs of the Council's response to the emergency caused by storms and flooding which affected the Borough in June 2007. Revenue expenditure in response to the emergency totalled £2.744m in 2007/08.

This is offset by revenue grant income of £1.403m which was received from the Department for Communities (DCLG) and the Department for Children Schools and Families (DCSF), including Bellwin grant of £1.132m.

The net revenue cost to the Council of the flooding emergency in 2007/08 was £1.341m.

10 Outlook

Rotherham is changing rapidly and its financial strategies must reflect and help this process. Over recent years, the Council's performance has been recognised as improving strongly, including the way the Council manages its financial resources and offering value for money to the Borough's taxpayers. We were therefore delighted when the Audit Commission first awarded us a score of four out of four for our Use of Resources assessment in 2006, and again in 2007, when the Council was also awarded "excellent council" status.

The Council has recently published its refreshed Medium Term Financial Strategy (MTFS) which is aligned with that of the Corporate Plan and also with the Government's three yearly Comprehensive spending Review (CSR) 2007 covering the period 2008-11. The revised MTFS will:

- Ensure the sustainability of the Council's Budget;
- Facilitate proactive, strategic management of the Budget to ensure service investments and disinvestments flow from the Council's corporate priorities as set out in the Corporate Plan; and
- Guarantee responsiveness to an ever-changing and uncertain financial climate, in which existing funding streams cease and new opportunities arise.

The Council set its Revenue Budget for 2008/09 at £204.153m and, in addition, Dedicated Schools' Grant (DSG) provides £167.614m to fund schools. The Budget will:

- enable the Council to deliver its corporate priorities by harmonising available resources with its priorities
- secure funding for those proposed investments identified as highest priority
- make a positive difference to the wellbeing of the people of Rotherham by promoting investments in key local priorities. These include:-

Promoting safety and tackling crime and anti-social behaviour – a package of measures totalling £143,000 to promote safe, well maintained and empowered neighbourhoods.

Providing vulnerable people with the support they need to live independent lives, in their own homes where possible – £1.7m to develop support services for older people and adults with learning difficulties including resources to meet demographic pressures.

Learning and leisure opportunities across the Borough – £1.6m to develop our Children and Young People's Service including fostering services.

Waste management and re-cycling – £1.8m to boost the Council's response to national and sub-regional waste management and recycling issues, helping to ensure that Rotherham remains a green and pleasant place.

Regenerating our Borough – £2.2m to support capital investment 'Priority A' projects across the Borough (such as Town Centre Renaissance). The £35m re-development of the Council's pools and sports facilities is now well underway alongside specific major projects that are integral to the renaissance of the Town Centre.

In setting the Budget, the Council set the lowest level of Council Tax increase in a decade (a 3.8% increase) due to a healthier budget for the current year than originally forecast as detailed on page 4 of the Explanatory Foreword.

A A Bedford, BA(Hons), CPFA
Strategic Director of Finance

Introductory Statements

Statement of Accounting Concepts and Policies

Statement of Accounting Concepts and Policies

1 General

The Authority's accounts are prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice", as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code incorporates the appropriate requirements of the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and the Best Value Accounting Code of Practice (BVACOP).

The 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.

The main changes required by the 2007 SORP are:

- new accounting for and disclosure requirements for financial instruments based on the new financial instruments standards FRS 25, FRS 26 and FRS 29;
- Local Area Agreement (LAA) grants should be accounted for in a way that reflects the substance of the terms of the grant and the way in which the LAA operates in practice; and
- additional disclosure requirements where a local authority consolidates trust funds into its group accounts;
- the replacement of the Fixed Asset Restatement and Capital Financing Accounts with a Revaluation Reserve and Capital Adjustment Account.

2 Revenue Income and Expenditure

Accruals

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

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

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

Internal Interest

Interest receivable will be credited to the General Fund.

The Housing Revenue Account, other and specified internal accounts and funds held on behalf of external organisations are credited with interest based on the notional monthly level of cash balances. The sums are calculated using seven day money market rates.

Local Area Agreement Grant

Local Area Agreement are three year agreements between the Government Office and a local strategic partnership representing the local authorities, other public, private, voluntary and community interests for the area.

- (i) RMBC is the accountable body for all grants receivable and payable and therefore is required to recognise these as income and expenditure.
- (ii) LAA grant is a specific grant but is likely to relate to more than one local authority service. LAA grant transactions recognised in revenue are apportioned between the services that are funded by the grant.

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.

The Pensions costs included in this Statement have been determined and accounted for in accordance with FRS 17 Retirement Benefits.

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 the Council will assume that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

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 charged 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;
- (c) The costs of office accommodation are pooled and recharged to services on the basis of floor area occupied.

In addition, BVACOP requires that the following items of expenditure will be held centrally and not apportioned to services:-

- Corporate and Democratic Core (CDC) comprising Democratic Representation and Management (DRM) and Corporate Management (CM);

Democratic Representation and Management includes:

- (a) All Members' allowances and expenses, including telephone calls, postage, equipment costs, hospitality, accommodation costs, training, conference fees etc., incurred when undertaking activities on behalf of the authority, as local representatives or to represent local interests.
- (b) The costs associated with officer time spent on appropriate advice and support activities.
- (c) Subscriptions to local authority associations and provincial councils.

Corporate Management includes:

- (a) The functions of the individual designated the head of the paid service (the chief executive), except those concerned with the direct management of services or the provision of advice and support to members.
- (b) Maintaining statutory registers, e.g. of politically sensitive posts, unused land, payments to members and members' interests. (This excludes the costs of maintaining statutory service specific registers).
- (c) Providing information required by members of the public in exercise of statutory rights (other than about specific services).
- (d) Completing, submitting and/or publishing all service staffing returns, statements of accounts, annual reports, public performance reports and formal financial reports of performance.
- (e) Estimating, negotiating, accounting for and allocating corporate-level resources such as credit approvals and other sources of capital finance, precepts, block grants and taxes;
- (f) The costs of statutory external audit;
- (g) The costs of external inspections;
- (h) The costs of treasury management;

- (i) Bank charges other than those which relate to accounts operated on a decentralised basis.

Non Distributed Costs (NDC) include:

- (a) past service costs relating to retirement benefits (if any) - for a defined benefit scheme these costs are defined by the SORP as scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits
- (b) settlements relating to retirement benefits (if any) - these are defined by the SORP
- (c) curtailments relating to retirement benefits (if any) - these are defined by the SORP
- (d) the costs associated with unused shares of IT facilities
- (e) the costs of shares of other long-term unused but unrealisable assets
- (f) impairment losses relating to assets under construction and surplus assets held for disposal and depreciation (and associated credits to income for government grants deferred) on the latter category of assets
- (g) the revenue expenditure involved in holding surplus assets (e.g. security costs).

The elements of cost which are to be included within CDC and NDC are defined in full within BVACOP.

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 or payable in the financial year.

Trading Accounts

Trading operations are carried out as an integral part of the revenue budget of the "parent service".

3 Capital Accounting

3.1 Introduction

From 1 April 2007 the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) have been replaced by a Revaluation Reserve and a Capital Adjustment Account. Such a change would normally require prior year adjustments to determine the opening balances on these accounts. However, since local authorities do not have the information to determine a reliable opening balance on the Revaluation Reserve, this is shown as Nil. The opening balance on the

Capital Adjustment Account is the combined total of the Fixed Asset Restatement Reserve and Capital Financing Account.

The authority adheres to the 15 key principles of Capital Accounting. The first two are general:

- Accounting for fixed assets will be separated from accounting for capital financing costs, by making an annual charge to service revenue accounts for all assets used in service provision.
- All fixed assets held by the authority will be capitalised and included in the Balance Sheet.

The next principles relate to the Balance Sheet:

- All expenditure on the acquisition, creation or enhancement of fixed assets will be accounted for on an accrual basis and capitalised in the Balance Sheet.
- All fixed assets are included in the Balance Sheet at the current value except for infrastructure assets and community assets, which will be included at historical cost.
- All assets included at current value will be revalued at intervals of not more than five years.
- Certain short-lived assets, such as vehicles, plant and equipment, may be included at historical cost as a proxy for current value, but only on the grounds of materiality.

There are three capital reserves:

- A Revaluation Reserve, which will record the net gain (if any) from revaluations made after 1 April 2007;
- A Capital Adjustment Account, which will reflect the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them;
- A Usable Capital Receipts Reserve, which will represent the proportion of the income from the sale of fixed assets that can be used to fund capital expenditure.

The final principles relate to the Income and Expenditure Account and the Statement of Movement on the General Fund Balance;

- The Authority is required to prepare an Income and Expenditure Account, bringing together the income and expenditure of the Authority's services, including the Housing Revenue Account (HRA).
- All services, including central support services and trading accounts, will be charged with depreciation, for all fixed assets used in the provision of the service.

- Where an asset suffers an impairment representing the clear consumption of economic benefits (eg flood damage), then an impairment loss will be charged to the service that uses the asset – impairment losses will also be chargeable where there is no accumulated revaluation gain for the asset that can absorb any loss due to the general change in prices.
- To ensure that depreciation and impairment losses will not impact on the level of local taxation, any debits made in the Income and Expenditure Account will be reversed out in the Statement of Movement on the General Fund Balance by appropriations from the Capital Adjustment Account.
- The statutory Minimum Provision/loans fund principal repayment plus any additional voluntary contributions will be debited to the Statement of Movement on the General Fund Balance as the charge against council tax for the year.
- Any revenue financing of fixed assets will be accounted for as a transfer to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance.

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 in the year to the service area in which the expenditure was incurred.

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.

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

For all other assets where the Council is not aware of any material change in value the valuation of those assets will not have been updated.

3.3 Disposals

Where the disposal of an asset, carried at historical cost, gives rise to a gain or loss, this gain or loss will be reversed out of the General Fund by crediting the Capital Receipts Reserve with the disposal proceeds and

debiting the Capital Adjustment Account with the carrying amount of the disposal. The gain or loss will then be a reconciling item on the Statement of Movement on the General Fund balance.

If the asset disposed of was carried at current value then the balance on the Revaluation Reserve is also written off to the Capital Adjustment Account.

3.4 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.

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	3 years
Vehicles	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.

3.5 Intangible Fixed Assets

Intangible Fixed Assets comprise expenditure which may properly be capitalised, but do not produce tangible fixed assets, for example, Improvement Grants. As these assets give no long-term benefit to the Council the balance will be written off in the year of expenditure.

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

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 will be credited

initially to the Government Grants Deferred Account. Amounts will be released to revenue over the estimated useful life of the asset in order to match the depreciation charged on the asset to which it relates. For assets which are not to be depreciated (e.g. land) the grants will be transferred to the Capital Adjustment Account in the year they are used for funding.

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

3.7 Leases

Where assets are acquired under operating leases, the cost of the assets and the related liability for future rentals payable are not recorded in the balance sheet, since the Authority does not own the assets. Rentals that are payable under operating leases are charged to revenue on an accruals basis.

3.8 Repayment of Debt

CLG (the Secretary of State's Guidance on Local Government Investments) Regulations have been issued which require full Council to approve a Minimum Revenue Provision (MRP) Statement in advance each year. Whilst the regulations will revoke previous MRP requirements, councils are allowed to continue using historical accounting practice. A variety of options are provided to councils to replace the existing Regulations so long as there is a prudent provision.

The Council approved the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure, the MRP policy will be:

- Based on Capital Financing Requirement (CFR) – MRP will be based on the non-housing CFR.

From 1 April 2008 for all unsupported borrowing the MRP policy will be depending upon the level of prudent provision, either:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive); or
- Depreciation method – MRP will follow standard depreciation accounting procedures.

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. Although income from the disposal of assets will be split into 'reserved' and 'useable' elements (the reserved element must be set aside to repay debt and the useable element can be used to fund capital expenditure) currently, other than for housing, 100% of disposal values can be used to finance capital expenditure.

For Housing Revenue Account receipts, 75% of sale of dwellings and 50% of land sales will be required to be paid to Central Government under an arrangement known as pooling. However land sales will 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.

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.

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.

5.3 Contingencies

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

6 Financial Instruments

6.1 Introduction

Financial Instruments are now covered by FRS 26 “Financial Instruments: Recognition and Measurement” and FRS 25 “Financial Instruments: Presentation and Disclosures”, although the latter has now partly been replaced by FRS 29 “Financial Instruments: Disclosures”.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. The term financial instrument covers both financial assets and liabilities and includes, among others, trade receivables and payables, borrowings, financial guarantees, bank deposits and loans receivable.

6.2 Initial Recognition

Financial instruments will be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument, i.e. when the purchaser becomes committed to the purchase or in the case of a loan the cash changes hands. Sales and disposals of financial assets will also be recognised in the same way

Trade receivables and payables will be an exception to this rule, as they will only be recognised when the goods or services have actually been delivered or received.

6.3 Initial Measurement

Financial assets and liabilities will be measured initially at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

6.4 Fair Value

Fair value will be the amount for which the asset could be exchanged, or a liability settled, between knowledgeable willing partners in an arm’s-length transaction.

6.5 Implementation

The authority will comply fully with the regulations as set out in the FRSs and in the SORP.

More detail on treatment of Financial Instruments will be found in the Notes to the Core Financial Statements.

6.6 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

The authority’s activities expose it to a variety of financial risks such as:

- Credit risk – the risk that other parties might fail to pay amounts due;
- Liquidity risk – insufficient funds available to meet commitments;
- Re-financing risk – renewal of a financial instrument on maturity at disadvantageous interest rates or terms;

- Market risk – financial loss as a result of changes in interest rates or stock market movements

In order to minimise these risks the authority will continue to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Local Government Act 2003.

6.7 Impairment and Uncollectability of Financial Assets (previously reported as Provision for Bad or Doubtful Debts)

As part of the new requirements for accounting for and disclosing financial instruments based on FRS 26 amounts shown as due from debtors will be individually, or collectively for those debts which are not significant, reviewed for impairment. Provision is made for doubtful debts and known uncollectable debts will be written off to the appropriate service accounts.

6.8 Premium and discounts

Premium and discounts incurred prior to 1 April 2006 are required to be fully written off to revenue unless they are directly attributable to a loan carried on the Balance Sheet at 31 March 2007. Premium and discounts incurred after 1 April 2006 where the loan transaction has been classified as substantially different in accordance with SORP requirements are also required to be immediately fully written off to revenue.

In accordance with Government Regulations the impact will be offset through a transfer to a Financial Instruments Adjustment Account disclosed within the Statement of Movement in the General Fund Balance.

Balances held in the Financial Instruments Adjustment Account will be written off to revenue in accordance with Government Regulations.

Premium and discounts incurred prior to 1 April 2006 that are directly attributable to a loan carried on the Balance Sheet at 31 March 2007 and premium and discounts incurred after 1 April 2006 where the loan transaction has been classified as modified in accordance with SORP requirements are not required to be immediately written off to revenue. The premium/discount adjusts the new loan carrying amount and is written down to revenue over the life of the new loan using the Effective Interest Rate.

7 Group Accounts

- 7.1 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.

8 Value Added Tax (VAT)

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

9 Private Finance Initiative

- 9.1 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).

10 Landfill Allowance Trading Scheme

- 10.1 Allowances held will be recognised and classified as current assets, their value being initially measured at fair value.
- 10.2 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.
- 10.3 The liability arising from actual landfill usage will be recognised as a provision falling within the scope of FRS 12 Provisions, Contingent Liabilities and Contingent Assets.
- 10.4 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

Statement of Total Recognised Gains and Losses

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

Income and Expenditure Account 2007/08

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes 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.

The 2006/07 amounts have been restated to reflect the impact of the prior year adjustments disclosed later in the Statement.

Restated 2006/07 Net Cost £000		Gross Expenditure £000	Gross Income £000	2007/08 Net Cost £000	Note
2,525	Central Services to the Public	3,952	-1,770	2,182	
358	Court and Probation Services	402	-9	393	
27,464	Cultural, Environment and Planning Services	70,137	-35,668	34,469	
18,677	Children's & Education Services	324,774	-269,941	54,833	
11,061	Highways, Roads & Transport Services	16,261	-2,673	13,588	
-1,428	Housing Revenue Account	107,625	-69,691	37,934	
3,578	Other Housing Services	92,387	-88,771	3,616	
84,025	Adult Social Care	108,977	-40,223	68,754	
7,997	Corporate & Democratic Core	5,979	-762	5,217	
2,350	Non Distributed Costs	7,307	-253	7,054	
0	Exceptional Items	2,744	-1,403	1,341	
156,607	Net Cost of Services	740,545	-511,164	229,381	
559	Gain or loss on disposal of fixed assets	324	0	324	
1,820	Parish Council Precepts	1,891	0	1,891	23
18,883	County and Other Levies	19,463	0	19,463	
-16	Dividends and Surplus/Deficit on Trading operations	86	0	86	5
16,378	Interest Payable or Similar Charges	20,688	0	20,688	
-5,478	Interest & Investment Income	0	-9,254	-9,254	19
144	Amortised Premium/Discounts	0	0	0	
3,662	Pensions interest cost and expected return on pension assets	2,182	0	2,182	
7,913	Contribution to Housing Pooled Capital Receipts	6,206	0	6,206	21
200,472	Net Operating Expenditure	791,385	-520,418	270,967	
-15,813	General Government Grants			-14,699	
-6,222	PFI Support Grants			-6,223	4
-81,918	Non Domestic Rates Distribution			-87,586	
-80,982	Demand on Collection Fund			-85,014	
-2,250	Transfer from Collection Fund in respect of surpluses/deficits			-1,800	
13,287	Income and Expenditure Deficit			75,645	

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.

The 2006/07 amounts have been restated to reflect the impact of the prior year adjustments disclosed later in the Statement.

Restated 2006/07 £000		2007/08 £000	Note
13,287	Income and Expenditure Account Deficit	75,645	
-17,386	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-80,155	1
-4,099	Increase in General Fund Balance for the Year	-4,510	
-13,625	Balance on General Fund Brought Forward	-12,700	
5,024	Transfers to(-)/from(+) General Fund Balance in the Year	3,216	
-12,700	Balance on General Fund Carried Forward	-13,994	
-4,329	Amount of General Fund Balance held by Governors under schemes to finance schools (in year increase £3.035m)	-7,364	
-8,371	Amount of General Fund Balance generally available for new expenditure	-6,630	
-12,700		-13,994	

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 deficit 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.

The 2006/07 amounts have been restated to reflect the impact of the prior year adjustments disclosed later in the Statement.

Restated 2006/07 £000		2007/08 £000
13,287	Deficit on the Income and Expenditure Account for the year	75,645
-165,320	Surplus arising on revaluation of fixed assets	-56,162
0	Surplus(-)/deficit(+) arising on revaluation of available-for-sale financial assets	0
-40,312	Actuarial gains(-)/loss (+) on pension fund assets and liabilities	67,949
-146	Any other gains or losses required to be included in the STRGL	496
-192,491	Total of recognised Gains (-) and Losses (+)	87,928

Balance Sheet as at 31 March 2008

Restated 2006/07			2007/08		Note
£000	£000		£000	£000	
	264	Intangible Assets		0	25
		Tangible Fixed Assets			
		Operational Assets			
801,849		Council Dwellings	825,812		
367,468		Other Land & Buildings	382,356		
		Vehicles, Plant, Furniture & Equipment	2,539		
1,132		Infrastructure Assets	50,374		
45,066		Community Assets	4,043		
<u>7,893</u>			<u>1,265,124</u>		
1,223,408					
		Non-Operational Assets			
		Investments Properties	19,642		
20,057		Surplus Assets	26,279		
13,316		Assets under Construction	40,435		
<u>11,635</u>			<u>86,356</u>	<u>1,351,480</u>	
45,008	<u>1,268,416</u>				
	1,268,680	Total Fixed Assets		1,351,480	24
	12,432	Long-term Investments		15,975	34
	8,865	Long-term Debtors		9,971	32
		Deferred premiums on early repayment of debt (net of discounts)		<u>0</u>	47f
	<u>875</u>				
	1,290,852	Total Long-Term Assets		1,377,426	
		Current Assets			
		Stock and Work in Progress	447		35
464		Debtors	64,460		36
56,411		Landfill Usage Allowances	597		46d.v
1,927		Short-term Investments	138,545		32
117,167		Cash in hand or at Bank	1,977		50
<u>0</u>			<u>206,026</u>		
175,969		Current Liabilities			
		Creditors	-107,377		37
-92,298		Temporary Loans	0		
-5		Deferred Liabilities	-664		38
-604		Balance at bank -overdrawn	<u>0</u>		50
<u>-8,732</u>			<u>-108,041</u>	<u>97,985</u>	
-101,639	<u>74,330</u>	Total Assets less Current Liabilities		1,475,411	
	1,365,182	Long-term Borrowing	-385,808		29
		Deferred Liabilities	-15,630		38
-279,680		Provisions	-7,895		42
-16,295		Government Grants Deferred	-69,313		47d
-7,083		Unapplied Capital Grants/ Contributions	-23,639		47b
-51,885		Pensions - Liability	<u>-231,434</u>		17
<u>-23,551</u>				<u>-733,719</u>	
-157,068	<u>-535,562</u>				
	829,620	Total Assets less Liabilities		741,692	

Balance Sheet as at 31 March 2008 (continued)

Restated 2006/07			2007/08		Note
£000	£000		£000	£000	
	0	Revaluation Reserve		50,949	47c
	923,184	Capital Adjustment Account		864,138	47d
	0	Available-for-sale Reserve		0	47e
	0	Financial Instruments Adjustment Account		-736	47f
	-157,068	Pensions Reserve		-231,434	47a
	3,186	Usable Capital Receipts		6,032	47b
	8,294	Major Repairs Reserve		0	46/47
	201	Deferred Capital Receipts		169	47
	12,700	General Fund Balance		13,994	46/47
	8,591	Housing Revenue Account Balance		6,480	46/47
	30,037	Earmarked Reserves		31,830	46/47
	495	Collection Fund		270	47
	829,620	Total Net Worth		741,692	

The prior year implications arising from the implementation of FRS 25, 26 and 29 have been adjusted in the 2007/08 accounts as required by the SORP. However to aid the readers' understanding of the accounts some of the comparative figures relating to Loans and Investments in the 2006/07 Balance Sheet have been restated by adjusting for interest accruals relating to the 2006/07 years. Whilst this is not a requirement of the SORP it is felt that this aids comparability year on year. This also meant restating balances for Debtors and Creditors together with figures in the 2006/07 Cash Flow Statement. Further details on these comparative figures are given in Notes 29 to 32.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Analysis of the net movement on the Statement of Movement on the General Fund Balance

Restated 2006/07 £000		2007/08 £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		
-264	Amortisation of Intangible Fixed Assets	-264	i
-9,020	Depreciation and Impairment of fixed assets	-79,108	ii
-3,891	Excess HRA depreciation over MRA	-6,501	iii
7,003	Government Grants Deferred Amortisation	4,916	iv
-24,372	Write down of deferred charges to be financed from capital resources	-21,350	v
26,008	Writing out of capital grant funding of deferred charges and impairment	25,268	vi
2,718	Write on of PFI Long-term Debtor	2,718	vii
-131	Write down of PFI Deferred Consideration	-128	viii
-559	Net gain or loss on disposal of fixed assets	-324	ix
0	Other net gain or loss on capital receipts	530	x
0	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early redemption of debt	139	xi
-28,189	Net charges made for retirement benefits in accordance with FRS17	-29,600	xii
-30,697		-103,704	
	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		
5,200	Minimum revenue provision for capital financing	6,005	xiii
2,101	Capital expenditure charged in year to the General Fund Balance	4,101	xiv
-7,913	Transfer from Usable Capital Receipts for Housing Pooled Capital Receipts	-6,206	xv
21,592	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	23,183	xvi
-9,717		-76,621	

Note 1 **Analysis of the net movement on the Statement of Movement on the General Fund Balance (continued)**

Restated 2006/07 £000		2007/08 £000	Note
	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		
-1,840	Housing Revenue account balance	-2,111	xvii
0	Voluntary provision for repayment of debt	0	xviii
-5,829	Net Transfer to/from (-) earmarked reserves	-1,423	xix
-17,386	Net Additional Amount required to be credited to the General Fund Balance for the year	-80,155	

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 (IE) Account, and the net expenditure of the Authority used for setting local taxes.

- i Reversal of amount debited to the IE Account for amortisation of Intangible Fixed Asset
- ii Removal of depreciation, and impairment charges (NB excludes depreciation charged to HRA services)
- iii Excess of depreciation charged to HRA services over the Major Repairs Allowance element of the Housing Subsidy
- iv Government Grants Deferred amortisation matching depreciation and impairments
- v Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (deferred charges)
- vi Reversal of capital grants used to fund deferred charges and impairment
- vii 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
- viii Reversal of the amount debited to the IE Account arising from the write-down of the Schools PFI Deferred Consideration
- ix Reversal of amount included in IE Account
- x Reversal of other capital receipt gains and losses included in the IE Account
- xi Reversal of amounts debited/credited to the IE Account in line with Government Regulations

- xii Pensions adjusting amount. Difference between pensions cost calculated in accordance with the SORP (ie FRS 17) and contributions due under Pension Scheme Regulations
- xiii Statutory provision for loan repayment (MRP). The adjustment shown here is the depreciation charged to General Fund services
- xiv Capital Expenditure financed from revenue i.e. being charged to the General Fund Balance and hence reducing the net surplus
- xv Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool
- xvi The employers' contributions and payments payable to the pension fund in accordance with the Pension Scheme Regulations
- xvii Statutorily required transfer of surplus or deficit for the year on HRA to HRA Balance
- xviii Any voluntary provision for repayment of debt
- xix Transfer to or from reserves. Merging of transfers to/from reserves separately identified above.

Note 2 **Best Value Accounting Code of Practice (BVACOP)**

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

Note 3 **Acquired Operations**

There were no acquired or discontinued operations for the year 2007/08.

Note 4 **Outstanding undischarged obligations arising from Long Term Contracts**

(a) Private Finance Initiatives - Schools PFI

At 31 March 2008 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 2008. The contract runs for 30 years and costs during the year totalled £12,220,212. The payments are subject to availability and performance-related deductions and contractually agreed inflation adjustments. During the year the Council received £6,222,509 of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and 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 Dignity Funerals Ltd to improve Bereavement Service Provision is due to be signed later this year.

(d) Waste Management PFI

This PFI is only at the procurement stage and therefore no payments have been made.

(e) PFI Charges to Revenue

The payments to which the Authority is committed to make are:

	Schools PFI £m	Sports and Leisure PFI £m
Within one year	12.349	1.521
In the 2 nd to 5 th years inclusive	50.088	15.157
In the 6 th to 10 th years inclusive	66.407	20.741
In the 11 th to 15 th years inclusive	71.145	22.288
In the 16 th to 20 th years inclusive	76.504	24.038
In the 21 st to 25 th years inclusive	82.566	26.019
In the 26 th to 30 th years inclusive	17.309	28.259
In the 31 st to 35 th years inclusive	Contract completed	21.807

No payments have been or are to be made in respect of the Bereavement Partnership. Costs will be met by our partner out of income generated. From this they will pay the Council a guaranteed annual sum.

(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 2008 are available and the details are shown below:

During the financial year RBT (Connect) Ltd provided services worth £29.913m to the Council. At the 31 March 2008 a sum of £3,494,306 was payable by RBT (Connect) Ltd to the Council and £4,894,917 was owed from the Council to RBT (Connect) Ltd.

Note 5 **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 (£0.086m 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 below:

2006/07 Surplus (-)/ Deficit (+) £000		Expenditure £000	Income £000	2007/08 Surplus(-)/ Deficit (+) £000
	Construction, Street Cleansing and Landscaping	9,724	-9,803	-79
83				
58	Refuse Collection	0	0	0
81	Vehicle Maintenance/Transport	1,121	-1,125	-4
-315	Property Services – Fee-billing	3,365	-3,805	-440
46	Engineering – Fee-billing	1,598	-1,734	-136
117	Cleaning of buildings	4,623	-4,636	-13
-66	Markets	952	-1,003	-51
-32	Building Regulations Control	638	-631	7
61	School Support Services	10,161	-9,359	802
33		32,182	-32,096	86

The deficit, as shown above, has not been allocated to specific services within the accounts, and the net deficit of £0.086m is disclosed within the Income and Expenditure Account as part of Net Operating Expenditure. This net amount incorporates a £0.063m increase on expenditure arising from the adoption of FRS 17 in the accounts.

Note 6 **Publicity**

Section 5(1) of the Local Government Act 1986 requires authorities to keep a separate account of their expenditure on publicity. During the year the costs incurred by the Council which fell within the requirements of the legislation is detailed as follows:

2006/07 £000		2007/08 £000
884	Recruitment Advertising	816
504	General Advertising	362
800	Promotional Material	906
808	Press and Publicity	675
2,996	Total	2,759

Note 7 **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's expenditure under this power was £424,000 to voluntary bodies working in the local area.

Note 8 **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 2007/08 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 increase the deficit to £0.007m (see Trading Services Statement on Page 35). The Council does not maintain a separate reserve for the chargeable element of the account but retains any balance within the General Fund. Details are as follows:

2006/07				2007/08		
Chargeable £000	Non- Chargeable £000	Total £000		Chargeable £000	Non- Chargeable £000	Total £000
369	150	519	Expenditure:			
18	1	19	Employee Expenses	376	146	522
21	8	29	Transport	17	1	18
			Supplies and Services	40	15	55
191	29	220	Central and support service charges	203	9	212
599	188	787	Total Expenditure	636	171	807
			Income:			
-655	0	-655	Building Regulation Control	-631	0	-631
-655	0	-655	Total Income	-631	0	-631
-56			Surplus (-) / Deficit (+) for the year	5		

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 £0.137m in 2005/06 and a surplus of £0.056m in 2006/07 and a deficit of £0.005m in 2007/08.

Note 9 **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 2007/08.

Note 10 **Local Authority (Goods and Services) Act 1970**

Income and expenditure on goods and services provided to other public bodies are as follows:

	2007/08	
	Expenditure £000	Income £000
Children's and Education Services		
Placement out of Authority	322	0
Placement in mainstream & special schools	0	436
Educational psychology service	0	24
Cultural, Environment and Planning Services		
Asset Management	278	0
Streetpride	365	0
Total	965	460

Note 11 **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 finance involved in the two arrangements where the Council acts as host is detailed as follows:

2006/07 £000	Intermediate Care	2007/08 £000
-648	Funding from Rotherham Primary Care Trust	-665
-1,148	RMBC (Adult Social Services) Contribution	-1,110
-1,796	Total Gross Income	-1,775
1,660	Total Gross Expenditure	1,688
-136	Net Expenditure (+)/Income (-)	-87

2006/07 £000	Learning Disability Services	2007/08 £000
-9,524	Funding from Rotherham Primary Care Trust	-9,859
-13,856	RMBC (Adult Social Services) Contribution	-15,116
-23,380	Total Gross Income	-24,975
23,319	Total Gross Expenditure	24,341
-61	Net Expenditure (+)/Income (-)	-634

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 for the people of Rotherham.

2006/07 £000	Integrated Equipment Store	2007/08 £000
895	Funding from Rotherham Primary Care Trust	968
412	RMBC (Adult Social Services) Contribution	409
1,307	Total Gross Expenditure	1,377
1,367	Total Gross Expenditure	1,484
60	Net Expenditure (+)/Income (-)	107

Note 12 **Local Area Agreements**

The Council is a participant in a Local Area Agreement (LAA) – an agreement with Government Office and the Local Strategic Partnership (Rotherham Partnership) involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA completed its second year of a three year agreement.

The purpose of the LAA is to set out the priorities for Rotherham in agreement with central government (via Government Office Yorkshire and Humber), the local authority and key local partners (Rotherham Partnership). LAAs simplify some central funding through pooling, help join up public services more effectively and allow greater flexibility for local solutions to local circumstances. Through these means, LAAs are helping to devolve decision making and reduce bureaucracy.

The main LAA partners are:

Rotherham MBC	2010 Rotherham Ltd.
Rotherham Chamber of Commerce	Rotherham Primary Care Trust
South Yorkshire Police Authority	Voluntary Action Rotherham
Rotherham College	South Yorkshire Fire Service
South Yorkshire Learning & Skills Council	Job Centre Plus
Business Link South Yorkshire	Parish Councils

Rotherham MBC acts as the accountable body for the LAA. This means that we are responsible for managing and controlling the distribution of grant paid by the Government Office to the partners involved. In this context, the Council has recognised the full amount of the LAA grant in its financial statements.

The total amount of LAA pooled funding received by the Local Strategic Partnership in 2007/08 is £11.123m (2006/07 £7.490m).

As accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. The systems in place for distributing grant are designed to limit the possibility that this will happen. It has not been necessary to recognise any possible repayments and therefore no provisions have been made for any such eventuality.

Note 13 **Members' Allowances**

Members' allowances during the year totalled £1,085,660 excluding Joint Authority allowances (2006/07 £1,076,797 including Joint Authority allowances). The employers' pension contributions associated with these allowances was £51,575 (2006/07 £43,168). 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 2006 require the Authority to disclose the number of employees whose remuneration, excluding employers' pension contributions fell in each bracket of £10,000 starting with £50,000. The numbers disclosed in 2006/07 have been restated to ensure teaching staff in schools were fully reflected.

For 2007/08 the numbers are as follows:

Restated 2006/07		2007/08
106	£50,000 - £59,999	129
31	£60,000 - £69,999	25
7	£70,000 - £79,999	18
8	£80,000 - £89,999	9
5	£90,000 - £99,999	5
3	£100,000 - £109,999	0
0	£110,000 - £119,999	3
0	£120,000 - £129,999	0
0	£130,000 - £139,999	0
0	£140,000 - £149,999	0
1	£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 40 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	£
<u>Assisted Organisations</u>		
Dinnington Resource Centre	Grant, fees and charges	38,740
Doncaster Indoor Bowling Club	Grant	12,020
Full Life Christian Centre	Grant, fees and charges	36,316
Get Sorted Academy of Music	Grant	84,664
Key Fund (South Yorkshire) Ltd	Grant & charges	220,000
Nord Anglia Lifetime Development NE Ltd	Grant, fees and charges	1,934,396
Northern Sports Academy	Grant, fees and charges	56,298
Play and Learn Bus	Grant	108,481
Regenesis Consultancy Ltd	Fees and charges	36,820
Rotherham Advocacy Partnerships	Grant and Charges	171,910
Rotherham Disability Information Services	Grant	21,377
Rotherham Enterprise Agency	Grant and charges	24,108
Rotherham Ethnic Elderly Group	Grant	9,370
Rotherham Ethnic Minority Alliance	Grant	26,062
Rush House Project Ltd	Grant and charges	841,182
Sheffield Wildlife Trust	Grant, fees and charges	44,251
Spurgeon's Childcare	Grant, fees and charges	377,352
Tassibee Project	Grant, fees and charges	42,852
United Multicultural Centre Ltd	Grant, fees and charges	203,288
Yemeni Community Association	Grant, fees & charges	51,671
Yorkshire Trust	Grant	35,762

Note 15 **Related Party Transactions (continued)**

Related Parties	Nature of Transactions	£
<u>Member Related</u>		
Age Concern Rotherham Ltd	Grant, fees and charges	491,811
Churches Together in Rotherham	Passported donations	8,300
Citizens Advice Bureau	Grant, fees and charges	128,871
Coalfields Communities Campaign	Charges	11,476
Creation Recycling	Fees and charges	107,042
Home-Start Rotherham	Grant	16,108
Robond Ltd	Grant, fees and charges	97,245
Rotherham Advice & Information Network	Grant, fees and charges	87,190
Rotherham Arts	Grant and charges	6,843
Rotherham Community Transport	Fees and charges	172,931
Rotherham Credit Union Development Agency	Grant	49,463
Rotherham Diversity Forum	Grant	49,805
Rotherham Rugby Union Football Club Ltd	Fees and charges	32,173
Rotherham Women's Refuge	Grant, fees and charges	392,210
Rothersave Credit Union	Charges	1,159,132
Safe At Last	Grants and charges	7,636
Swinton Lock Activity Centre	Fees and charges	66,604
Thomas Rotherham College	Grant, fees and charges	50,778
Voluntary Action Rotherham	Grant, fees and charges	541,808
<u>Officer Related Organisations</u>		
Academy of Construction Trades	Fees and charges	131,161
FACE Advice Centre	Grant	37,780
GROW	Grant, fees and charges	106,463
Kiveton Park Independent Advice	Grant	31,580
Rotherham Chamber of Commerce	Grant, fees and charges	321,840
Rotherham College of Arts and Technology	Grant, fees and charges	675,409
South Yorkshire Funding Advice	Grant	48,081
<u>Other Related Organisations</u>		
South Yorkshire Passenger Transport Authority/Executive	Levy, fees and charges	17,662,539
The Environment Agency	Levy, fees and charges	80,381

Note 16 **Audit Costs**

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

2006/07 £000		2007/08 £000
365	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	323
118	Fees payable to Audit Commission in respect of statutory inspection	22
120	Fees payable to KPMG for the certification of grant claims and returns	100
0	Fees payable in respect of other services provided by the appointed auditor	0
603	Total	445

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

During 2007/08 the Council paid employer's contributions calculated at 14% amounting in total to £12.772m (For 2006/07 the corresponding figures were 13.5% and £11.661m.)

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 2007/08 the Council paid employer's contributions calculated at 16.1% amounting to £21.396m.

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 shown below have been made in the IE Account during the year:

2006/07 £000		2007/08 £000
-20,008	Net Cost of Services	
-708	- Current Service Cost	-18,786
	- Past Service/Curtailment Cost	-5,574
	Net Operating Expenditure	
-3,811	- Current Service Cost – Trading Services	-3,058
-33,163	- Interest Cost	-36,887
29,501	- Expected Return on Assets in the Scheme	34,705
	Amounts to be met from Government Grants and Local Taxation:	
6,597	- Movement of Pensions Reserve	6,417
	Actual amount charged against Council Tax for pensions in the year:	
-21,592	- Employers' contribution payable to Scheme	-23,183

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:

2006/07 £m		2007/08 £m
-680.2	Estimated Liabilities in Scheme	-749.9
523.2	Estimated Assets in Scheme	518.5
-157.0	Net Asset (+)/Liability (-)	-231.4

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The total liability of £231.4m 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 2007.

The main assumptions used in their calculations are as follows:

2006/07			2007/08	
Start of Year	End of Year		Start of Year	End of Year
2.9%	3.1%	Rate of Inflation	3.1%	3.6%
4.65%	4.85%	Rate of Increase in Salaries	4.85%	5.1%
2.9%	3.1%	Rate of Increase in Pensions	3.1%	3.6%
4.9%	5.4%	Rate for discounting Scheme	5.4%	6.1%

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

2006/07			2007/08	
Start of Year	End of Year		Start of Year	End of Year
7.0%	7.5%	Equities	7.5%	7.5%
4.3%	4.7%	Government Bonds	4.7%	4.6%
4.9%	5.4%	Bonds	5.4%	6.1%
6.0%	6.5%	Property	6.5%	6.5%
4.5%	5.25%	Other	5.25%	5.25%

Proportion of Assets Held by the Fund

2006/07			2007/08	
Start of Year	End of Year		Start of Year	End of Year
64.9%	65.9%	Equities	65.9%	62.9%
15.1%	14.9%	Government Bonds	14.9%	15.2%
7.8%	6.8%	Bonds	6.8%	7.4%
10.7%	11.7%	Property	11.7%	11.5%
1.5%	0.7%	Other	0.7%	3.0%

Analysis of the Market Value of Assets as at 31 March 2008

2006/07 £m		2007/08 £m
344.8	Equities	326.1
77.9	Government Bonds	78.8
35.6	Bonds	38.4
61.2	Property	59.6
3.7	Other	15.6
523.2	Total	518.5

The movement in the net pension liability for the year ended 31 March 2008 are as follows:

2006/07 £m		2007/08 £m
-190.8	Net Pension Liability as at 1 April	-157.0
	Movement in the Year:	
-23.8	Current Service Cost	-21.9
21.6	Employer Contributions	23.2
-0.7	Past Service Cost/Curtailment Cost	-5.6
-3.6	Net Interest/Return on Assets	-2.2
40.3	Actuarial Gain (+) or Loss (-)	-67.9
-157.0	Net Pension Liability as at 31 March	-231.4

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 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

2003/04 £000		2004/05 £000		2005/06 £000		2006/07 £000			2007/08 £000	
	%		%		%		%			%
43,749	12.0	21,124	12.0	67,068	14.0	4,413	0.8	Difference between the expected and actual return on assets	-40,552	7.8
0	0.0	-12,675	2.0	-8,066	1.2	0	0.0	Difference between actuarial assumptions about liabilities and actual experience	-15,634	2.1
0	0.0	-108,035	17.4	-54,501	8.1	35,899	5.3	Changes in the demographic and financial assumptions used to estimate liabilities	-11,763	1.6
43,749	12.0	-99,586	16.0	4,501	0.7	40,312	5.9		-67,949	9.1

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**

The Council receives 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 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.

Details of the deployment of DSG receivable for 2007/08 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	12,017	151,405	163,422
Adjustment to finalised grant allocation	-308	0	-308
DSG receivable for the year	11,709	151,405	163,114
Actual Expenditure for the year	10,608	148,370	158,978
Under spend for the year	1,101	3,035	4,136
Schools balances brought forward	0	4,329	4,329
Under spend carried forward to 2008/09	1,101	7,364	8,465

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 2007/08, the Income and Expenditure Account reflects a deficit on HRA services of £46.516m, prior to adjustments to equate this to the actual HRA deficit for the year of £2.111m. The difference is due principally to Depreciation and Impairment which are required to be shown in the HRA Income & Expenditure Account but then adjusted for in determining the actual deficit funded by HRA balances. A sum of £44.405m has been credited to the HRA Statement of Movement on HRA Balance to leave an overall reduction in the HRA balance of £2.111m.

A separate statement relating to the Housing Revenue Account in 2007/08 is included later on Page 92.

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 £4.101m (HRA £4.085m and General Fund £0.016m) capital expenditure financed from revenue in 2007/08 (2006/07 £2.101m).

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**

Opening balances at 31 March 2007 have been restated to reflect a change in the treatment of amounts previously accounted for as fixed assets and non-enhancing expenditure.

(i) **Operational Assets**

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Equipment and Furniture £000	Infrastructure Assets £000	Community Assets £000	TOTAL £000
Certified Valuation at 31 March 2007	813,197	391,044	7,045	52,227	7,884	1,271,397
Accumulated Depreciation & Impairment	-11,348	-22,284	-5,913	-8,522	0	-48,067
	801,849	368,760	1,132	43,705	7,884	1,223,330
Prior Year Adjustments	0	-1,292	0	1,361	9	78
Net Book Value at 31 March 2007	801,849	367,468	1,132	45,066	7,893	1,223,408
<u>Movement in 2007/08:</u>						
Additions in Year	78,397	14,968	1,398	5,125	134	100,022
Disposals in Year	-8,396	-1,071	0	-10	0	-9,477
Revaluation in Year	14,480	27,205	0	0	45	41,730
Asset Re-classification	-1,782	5,893	1,454	3,955	-4,005	5,515
Depreciation in Year	-18,635	-8,748	-288	-1,346	0	-29,017
Impairments	-40,101	-23,359	-1,157	-2,416	-24	-67,057
Net Book Value at 31 March 2008	825,812	382,356	2,539	50,374	4,043	1,265,124

(ii) Non-operational Assets

	Investment Properties	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000
Certified Valuation at 31 March 2007	20,075	16,057	22,893	59,025
Accumulated Depreciation & Impairment	-7	-871	0	-878
	20,068	15,186	22,893	58,147
Prior Year Adjustments	-11	-1,870	-11,258	-13,139
Net Book Value at 31 March 2007	20,057	13,316	11,635	45,008
<u>Movement in 2007/08:</u>				
Additions in Year	7	0	39,523	39,530
Disposals in Year	-3,585	-900	0	-4,485
Revaluation in Year	3,891	9,774	0	13,665
Asset Re-classification	1,119	4,089	-10,723	-5,515
Depreciation in Year	0	0	0	0
Impairments	-1,847	0	0	-1,847
Net Book Value at 31 March 2008	19,642	26,279	40,435	86,356

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 the Council's strategic service objective. 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 2007/08 the assets were revalued by qualified officers within the Council's Environment and Development Services.

(c) Analysis of Tangible Fixed Assets

A numerical analysis of the fixed assets of the Council at 31 March 2008, as shown in the Asset Register, is detailed in the table:

	2007/08
Council Dwellings	21,131
<u>ASSET TYPE</u>	
Allotments	29
Bowling Greens	10
Community Centres	89
Cemeteries (Buildings)	5
Children's Homes	5
Off Street Car Parks	26
Day Centres	8
Depots and Workshops	17
Golf Course/Pitch and Putt/Mini Golf	6
Hostels	4
Household recycling Properties	3
Laundry	1
Learning Centre	3
Leisure Activities	4
Libraries	15
Museums and Galleries	1
Markets	1
Office Buildings	28
Pavilions	12
Public Conveniences	7
Public Halls	1
Playing Fields/Rec Grounds	34
Residential Homes	13
Nursery Schools	8
Primary Schools	76
Secondary Schools	8
Special Schools	7
Sports Centres, Fitness Suites & Swimming Pools	11
Tennis Courts	8
Theatres	1
Youth Clubs	3
<u>NON-OPERATIONAL ASSETS</u>	
Investment Property	171
Land Awaiting Development (Area – Acres)	397
Surplus Assets	24
<u>COMMUNITY ASSETS</u>	
Cemeteries (Land)	7
Civic Regalia	24
Local Nature Reserve	6
Museum Exhibits	10
Parks	19
Open Space Land	171
<u>INFRASTRUCTURE ASSETS</u>	
Bridges	14
Other Infrastructure	72
Road length (km)	1,133

(d) Capital Expenditure and Financing

2006/07 £000		2007/08 £000
240,320	Opening Capital Financing Requirement	300,507
	<u>Capital Investment</u>	
80,626	Operational Assets	100,022
31,651	Non-Operational Assets	39,530
10,112	Intangible Assets	21,350
	<u>Sources of Finance</u>	
-10,308	Capital Receipts	-6,074
-38,863	Government Grants and Other Contributions	-47,612
-13,031	Revenue Provision	-31,315
300,507	Closing Capital Financing Requirement	376,408

2006/07 £000		2007/08 £000
	<u>Explanation of movements in year</u>	
56,947	Increase in underlying need to borrow (supported by Government financial assistance)	58,244
3,240	Increase in underlying need to borrow (unsupported by Government financial assistance)	17,657
60,187		75,901

Note 25 Intangible AssetsMovement in Intangible Assets

	Purchased Software Licences £000	Licences, Trademarks and Artistic Originals £000	Patents £000	Deferred Charges £000	Total £000
Valuation at 31 March 2007	779	0	0	0	779
Accumulated Depreciation & Impairment	-515	0	0	0	-515
	264	0	0	0	264
Prior Year Adjustments	0	0	0	14,274	14,274
Prior Year Adjustment – Amount Written Out to CAA	0	0	0	-14,274	-14,274
Net Book Value at 31 March 2007	264	0	0	0	264
<u>Movement in 2007/08:</u>					
Additions in Year	0	0	0	21,350	21,350
Disposals in Year	0	-442	0	0	-442
Revaluation in Year	0	442	0	0	442
Asset Re-classification	0	0	0	0	0
Amortisation in Year	-264	0	0	-21,350	-21,614
Impairments	0	0	0	0	0
Net Book Value at 31 March 2008	0	0	0	0	0

Deferred Charges are designated Intangible Assets in line with SORP guidance. Expenditure amounting to £21.350m was incurred and written off to the Income and Expenditure Account with an adjusting entry being made to the Capital Adjustment Account through the Statement of Movement on the General Fund Balance.

Purchased software licences are recognised at historic cost and amortised on a straight line basis over the useful economic life of the licence.

An easement over land owned by the Council was sold for £0.442m necessitating its recognition and disposal within the accounts.

Opening balances at 31 March 2007 have been restated to reflect a change in the treatment of amounts previously accounted for as fixed assets.

Note 26 Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. Thus at 31 March 2008, 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
Decent Homes	
Main Refurbishment Contractors	
Keepmoat	23.000
Henry Boot	16.600
Rokbuild	8.540
Connaught	4.800
Window Contractors	
Yorkshire Windows	3.000
Anglian	3.000
Economic Development Services	
Flood Alleviation	1.000
New Care Homes	5.592
Dinnington Business Incubation Centre	2.038
Thorpe Hesley Primary School	1.024
Aston Fence School	1.722
Canklow Woods Primary School	2.944
Herringthorpe Primary School	5.250
Aston Joint Service Centre	6.650
Rawmarsh Joint Service Centre	7.000
Westgate Demonstrator Projects – Completion of Sites 1, 3 & 5	2.760
Chesterhill Bonded Warehouse	1.200
Bellows Road Project	4.800

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 operating leases (primarily plant and vehicles), the relevant details of which are set out as follows:

2006/07 £000		2007/08 £000
478	Operating Lease Rentals paid in year:	347
68	- Primary rentals	55
	- Secondary rentals	
	Undischarged obligations under all leases at the year end:	
347	- payable within one year	250
500	- payable within two to five years	250
0	- payable after five years	0

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

Note 29 **Financial Instruments - Balances**

Financial Reporting Standards (FRS) 25, 26 and 29 have been built into the SORP 2007 and cover accounting for Financial Assets and Liabilities, known collectively as Financial Instruments. As the application of these FRS could impact significantly on Council Tax and Housing Rents, Statutory Regulations (England and Wales) have been issued to mitigate some of the adverse effects.

Transactions of both assets and liabilities have been split into three areas:

1. Transactions prior to 1 April 2006;
2. Transactions during 2006/07; and
3. Transactions from 1 April 2007.

The first two areas are affected by re-measurement and recognition/de-recognition, but those prior to 1 April 2006 remain as they were at that date, either on or off balance sheet. Any changes resulting from a review of 2006/07 transactions have been made at 1 April 2007 and therefore no adjustments to comparative figures for 2006/07 were required. However where appropriate closing balances as at 31 March 2007 have been adjusted to reflect the impact of the SORP 2007 changes.

Financial Instruments Balances

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

	Long Term		Short Term	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
PWLB	198,296	208,296	0	0
Market Bonds	78,050	173,050	0	0
Temporary	0	0	5	0
Financial liabilities (principal amount)	276,346	381,346	5	0

Financial Instruments Balances (continued)

	Long Term		Short Term	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
PWLB	200,676	210,909	0	0
Market Bonds	79,004	174,899	0	0
Temporary	0	0	5	0
Financial liabilities at amortised cost	279,680	385,808	5	0
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	279,680	385,808	5	0
Loans and receivables (principal amount)	12,000	15,000	114,990	135,670
Loans and receivables at amortised cost	12,430	15,973	117,167	138,545
Available- for-sale financial assets	0	0	0	0
Financial Assets at fair value through the I & E	0	0	0	0
Unquoted equity investments at cost	2	2	0	0
Total Investments	12,432	15,975	117,167	138,545
Loans and receivables at amortised cost	12,432	15,975	117,167	138,545

The increase in debt reflects the Council's commitment to higher capital investment as approved within the 5 year capital programme.

No financial instruments have been reclassified or de-recognised during the year, and the Council does not pledge or hold collateral against financial instruments. Other than for trade debtors etc., the Council has no requirement for an allowance for credit losses and has suffered no material defaults or breaches to its financial assets.

Note 30 Financial Instruments – Risk

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with the banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Accounting policies.

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

	Amount at 31 March 2008 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2008 % (c)	Estimated maximum exposure to defaults £000 (a*c)
<u>Deposits with banks and financial institutions</u>				
AAA rated counterparties	13,760	0.000%	0.000%	0
AA rated counterparties	17,113	0.031%	0.031%	5
Other counterparties	123,645	0.007%	0.007%	9
Bonds	0	0.000%	0.000%	0
	154,518			14
<u>Debtors</u>				
Long Term Debtors	9,971	0.000%	0.000%	0
Sundry Debtors	16,353	9.478%	9.478%	1,550
Collection Fund	5,909	33.457%	33.457%	1,977
Housing Benefits	1,276	35.593%	35.593%	454
Housing Rents	2,660	62.214%	62.214%	1,655
Other Short-Term Debtors	43,939	0.091%	0.091%	40
Debtors	80,108			5,676
Total	234,626			5,690

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. No charge has been made to the I & E Account in respect of the £0.014m maximum exposure identified as it is considered immaterial.

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

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

The estimated maximum exposure to defaults on Debtors (£5.676m) represents the Council's provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

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

31 March 2007 £000		31 March 2008 £000
9,923	Less than three months	12,175
1,618	Three to six months	509
1,041	Six months to one year	687
2,277	More than one year	2,982
14,859		16,353

Collateral

During the reporting period the Council held no collateral as security.

Liquidity Risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2007 £000		31 March 2008 £000
3,339	Less than one year	4,462
0	Between one and two years	0
0	Between two and seven years	20,000
50,050	Between seven and fifteen years	30,050
226,296	More than fifteen years	331,296
279,685		385,808

The maturity analysis of financial assets is as follows:

31 March 2007 £000		31 March 2008 £000
117,597	Less than one year	139,518
3,000	Between one and two years	0
0	Between two and three years	7,000
9,000	More than three years	8,000
129,597		154,518

All trade and other payables are due to be paid in less than one year and trade debtors of £16.353m are not shown in the above table. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure

Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

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

The risk of interest rates is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2006/07 £000		2007/08 £000
0	Increase in interest payable on variable rate borrowings	0
0	Increase in interest receivable on variable rate investments	0
0	Impact on Income and Expenditure Account	0
0	Increase in Government grant receivable or financing costs	0
0	Share of overall impact debited to the HRA	0
0	Decrease in the fair value of fixed rate investment assets	0
0	Impact on the STRGL	0
-41,989	Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E or STRGL)	-69,222

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 32 Fair Value of Assets and Liabilities carried at amortised cost.

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

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

Note 31 **Financial Instruments – Gains/Losses**

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2008:

	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available–for–sale assets £000	Fair value through the I & E £000	Total £000
Interest expense	-20,688	0	0	0	-20,688
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar Charges	-20,688	0	0	0	-20,688
Interest income	0	9,254	0	0	9,254
Gains on Derecognition	0	0	0	0	0
Interest and Investment Income	0	9,254	0	0	9,254
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I & E after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
Net gain (+) / loss (-) for the year	-20,688	9,254	0	0	-11,434

Note 32 **Financial Instruments – Fair Value of Assets carried at Amortised Cost**

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It

should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

- The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.
- No early payment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair value is calculated as follows:

31 March 2007			31 March 2008	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
200,676	219,354	PWLB debt	210,909	244,635
79,004	89,215	Non-PWLB debt	174,899	199,683
5	5	Temporary	0	0
279,685	308,574	Total Debt	385,808	444,318
92,298	92,298	Trade Creditors	107,377	107,377
371,983	400,872	Total Financial Liabilities	493,185	551,695
117,167	117,167	Money Market loans less than one year	138,545	138,545
12,430	12,624	Money Market loans more than one year	15,974	16,293
0	0	Bonds	0	0
2	2	Equity	2	2
8,865	8,865	Long-term Debtors	9,971	9,971
14,859	14,859	Sundry Debtor	16,353	16,353
4,637	4,637	Council Tax	4,735	4,735
1,073	1,073	Business Rates	1,131	1,131
43	43	Community Charge	43	43
1,428	1,428	Housing Benefits	1,276	1,276
2,335	2,335	Housing Rents	2,660	2,660
		Other Short-Term		
51,981	51,981	Debtors	43,939	43,939
-5,086	-5,086	Bad Debts Provision	-5,676	-5,676
209,734	209,928	Total Loans and Receivables	228,953	229,272

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

Note 33 **Financial Instruments – Soft Loans and Financial Guarantees**

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

At the 31 March 2008 the Council identified two loans requiring a total charge of £0.012m to be made to the Income and Expenditure Account. Government regulations permit the removal of this charge through the Statement of Movement on the General Fund Balance to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans.

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

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

At 31 March 2008 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 34 **Long-Term Investments**

At the end of 2007/08 £15m of the Council's PFI grant receipts (£26.880m) had been invested long-term. Interest accruals of £0.973m are disclosed within the carrying amount. The balance of £0.002m represents the Council's investment in RBT (Connect) Ltd.

Note 35 **Stocks and Work in Progress**

Stock held was valued, in accordance with the principles set out in the Statement of Accounting Policies, at £446,903 as at 31 March 2008 (£463,843 as at 31 March 2007).

Note 36 **Debtors and Payments in Advance**

An analysis of debtors which fall due within one year is shown as follows:

Restated 2006/07 £000		2007/08 £000
2	Ratepayers	2
43	Community Charge	43
4,637	Council Tax	4,735
1,073	Business Rates	1,131
2,175	Housing Tenants	2,660
53,567	Other Sundry Debtors	61,565
61,497		70,136
-5,086	<u>Less</u> Provision for Bad and Doubtful Debts	-5,676
56,411		64,460

The 2006/07 figures have been restated to reflect the introduction of Financial Instruments.

Note 37 **Creditors and Receipts in Advance**

An analysis of creditors which are due and payable within one year is shown below:

2006/07 £000		2007/08 £000
-45,082	Government Departments	-45,108
-6,376	HMRC	-6,391
-3,105	Other Public Sector Organisations	-6,898
-36,646	Other Sundry Creditors	-48,046
-91,209		-106,443
-1,089	Receipts in Advance	-934
-92,298		-107,377

Note 38 **Deferred Liabilities**

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 100 of this Statement refers). As at 31 March 2008 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £16,294,856, comprising £664,479 maturing within one year and £15,630,377 after that date.

Note 39 **Analysis of Net Assets Employed**

The net assets (revenue and capital) employed at 31 March 2008 are as follows:

Restated 2006/07 £000		2007/08 £000
150,549	General Fund	179,108
835,644	Housing Revenue Account	793,748
495	Collection Fund	270
986,688	Total excluding Pensions Reserve	973,126
-157,068	Pensions Reserve *	-231,434
829,620	Total	741,692

*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 40 **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 4).

(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 2008 are as follows:

31 March 2007 £000		31 March 2008 £000
38,407	Turnover	43,598
-5,173	Profit (+)/loss(-) before taxation	-2,516
-5,194	Profit (+)/loss(-) after taxation	-2,488
-895	Net Assets	-416

During the financial year the Council paid a management fee of £7.128m to 2010 Rotherham Ltd whilst the company purchased services from the Council totalling £1.979m. As at 31 March 2008 a sum of £5.027m was payable by 2010 Rotherham Ltd to the Council and £10.248m was owed from the Council to 2010 Rotherham Ltd.

(iii) BDR Waste Disposal Ltd

The Council disposed of its interest in this company on 27 February 2008. This gave rise to a profit which is dealt with elsewhere in the accounts.

(iv) Arpley Gas Limited

On 27 February 2008 the Council entered into a Joint Venture with Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd setting up the company under the Environment Protection Act 1990 for the purpose of carrying out waste disposal work and civic amenity site management.

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 company will produce its first accounts for the period from the date of incorporation to 31 March 2009.

No contributions to running costs were made by Rotherham MBC to Arpley Gas Limited during the financial year ended 31 March 2008.

(v) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004. 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 2008 were unavailable and the following details are the most up to date available.

31 March 2006 as restated £000		31 March 2007 £000
80	Turnover	91
-14	Profit(+)/Loss (-)	-9
-14	Profit(+)/loss(-) after taxation	-9
-14	Net Liabilities	-5

Building Learning Communities Ltd provided services to the Authority to the value of £6,885 (2006/07 - £6,194) and incurred charges from the Council of £15,622, (2006/07 Nil).

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

(vi) 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 2008 were unavailable and the following details are the most up to date available.

31 March 2006 £000		31 March 2007 £000
4,948	Turnover	4,137
-202	Surplus(+)/Deficit(-) for the year	100
662	Net Assets	762

Rotherham Metropolitan Borough Council's contribution to the company during 2007/08 was nil (2006/07 – nil).

Creswell Groundwork Trust provided services to the Authority to the value of £40,865 (2006/07 - £35,724) and incurred charges of £177 (2006/07 Nil).

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

(vii) 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 2008 were unavailable and the following details are the most up to date available.

31 March 2006 £000		31 March 2007 £000
2,201	Turnover	2,426
-25	Surplus(+)/Deficit(-) for the year	-51
-110	Net Assets	-161

Rotherham Metropolitan Borough Council's contribution to the company during 2007/08 was £60,000 (2006/07 – £60,000).

Groundwork Dearne Valley Limited continued to receive payroll services from the Authority during 2007/08 and provided services to the Authority to the value of £544,575 (£277,727 in 2006/07) and incurred charges of (£1,176,280).

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

(viii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to 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 2008 were unavailable and the following details are based on the company's accounts for the year ending 31 March 2007.

31 March 2006 £000		31 March 2007 £000
3,610	Turnover	5,632
-1,704	Surplus(+)/Deficit(-) for the year	11
24,381	Net Assets	24,392

During the financial year ended 31 March 2008, the company provided services to the Authority to the value of £113,991 (2006/07 – £66,432). The loan for £300,000 was issued to Magna Trust in 2006/07 and of this £275,000 was still outstanding as at 31 March 2008. Magna incurred charges from the Council of £46,263.

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

(ix) The Northern College for Residential Adult Education Limited

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

The College Company 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 2007 and are as follows:

31 July 2006 £000		31 July 2007 £000
6,643	Income	5,357
(202)	Surplus(+)/Deficit(-) for the year	-64
962	Net Assets	1,131

Rotherham MBC made a contribution of £15,000 towards the running costs of the company during 2007/08 (2006/07 – £25,000).

During the financial year ended 31 March 2008, the company provided services to the Authority to the value of £1,872 (2006/07 – £2,372)

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

(x) Phoenix Enterprises (Rotherham) Ltd

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

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

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2008 were unavailable and the following details are the most up to date available.

31 March 2006 £000		31 March 2007 £000
3,450	Turnover	3,398
-156	Profit (+) / Loss (-) before taxation	-301
-157	Profit after taxation	-301
886	Net Assets	585

Rotherham Borough Council's grants to and payments for services provided by the company during 2007/08 was £200,151 (2006/07 – £431,941), and incurred charges of £3,390.

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

(xi) 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 2008 were unavailable and the following details are the most up to date available.

31 March 2006 £000		31 March 2007 £000
6,224	Income	9,163
1	Surplus on Ordinary Activities before Taxation	8
0	Net Assets	0

Rotherham MBC did not make a contribution to the running costs of this company during 2007/08, but incurred charges from the Council of £31,810.

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

(xii) Rotherham Renaissance Limited

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

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

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

No accounts have been or will be prepared for the period 21 September 2005 to 31 March 2007 or for the year to 31 March 2008.

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

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

Since the company had not traded for many months an application was made to have the company struck off with effect from 28 November 2007.

(xiv) Rotherham Community Resource Programme

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

Rotherham Community Resource 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 company went into liquidation on 31 March 2007 and no accounts were prepared for the year to that date.

31 March 2006 £		31 March 2007 £
449,824	Turnover	
10,694	Surplus/(Deficit) for the year	
14,991	Net Assets	

Rotherham MBC no made grants, contributions and payments to the business during 2007/08 (2006/07 – £322,686).

(xv) 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 2008 were unavailable and the following details are the most up to date available.

31 March 2006 £		31 March 2007 £
4,380	Turnover	4,648
53	Profit (+) / Loss (-) before taxation	-22
48	Profit after taxation	-22
55	Net Assets	33

Rotherham MBC did not make a direct contribution to the running costs of this company during 2007/08.

During the financial year ended 31 March 2008, the company provided services to the Authority to the value of £5,711 (2006/07 – £4,511).

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.

(xvi) Yorkshire Purchasing Organisation

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. Rotherham is one of thirteen local authority members.

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

31 December 2006 £		31 December 2007 £
92,590	Turnover	See above
-4,015	Surplus (+) / Deficit (-)	
13,984	Net Assets	

Rotherham MBC did not make a direct contribution to the running costs of this company during 2007/08.

During the financial year ended 31 March 2008, the company provided services to the Authority to the value of £806,703 (2006/07– £901,103).

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

Note 41 **Contingent Assets**

The RBT Non-Distributable Reserve Account was closed in 2007/08 and has been settled in full.

Note 42 **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:

2006/07 £000		2007/08 £000
5,711	Insurance	4,921
	Section 11/82 Disrepair Claims –	
85	Housing Revenue Account	85
13	Section 117 Payments – Social Services	13
52	Elvin Compensation Claim	0
1,222	Landfill Trading Allowances (LATS)	287
0	Provisions pending legal settlement	2,589
7,083	Total	7,895

Insurance

The overall Insurance Fund balance shown in the accounts (inclusive of the reserve part – see Note 46 below) is net of amounts totalling £18,730 that have been advanced internally on a short-term repayable basis.

Moving into 2008/09 the Council carried out a complete retender of its insurance arrangements. Both property and liability risks are now insured by AIG Europe (UK) Ltd. The contract is for a three years with a two year optional extension.

Only Engineering Inspection and Small Craft 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 meets the first £100,000 of every settlement. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer 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
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 10 as at the end of March 2008. 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 indicated a sum of £26,000 was 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.

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.

Note 43 Other Contingent Liabilities

(a) 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 2008 the Authority had lodged claims of £3,925,497 above the threshold giving a maximum liability under the Scheme of £775,099.

(b) Bramley Depot - Wood Preservative Leak

During 2003/2004 a leak of wood preservative caused damage to the former site of the Building Works depot at Bramley. On advice of consultants the damage was made good to minimum Environment Agency standards and the pollution contained. It is not anticipated that any more remedial work will be needed to contain the contamination unless ongoing sampling and monitoring works dictate otherwise. Additional work would be required if the Authority wished to use the land for a purpose requiring a higher standard. The Authority is currently considering the future use of the land but no decision has yet been reached. Until such a decision is made the future cost of making the site fit for its eventual purpose is unquantifiable. Although uncertainty over the future commitment of expenditure currently depends upon an internal decision of the Council at some future date environmental standards may be tightened requiring additional Council expenditure.

Neighbourhoods and Adult Services has declared this site surplus to their service requirements and this site has been transferred into the Land and Property Bank.

(c) 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.

Note 44 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 45 Trust Funds

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

	Balance as at 1 April 2007 £	Income £	Expenditure £	Balance as at 31 March 2008 £
Treeton Council School War Memorial	442	20	0	462
EJ Butland, Treeton Infants	358	20	0	378
Whiston Two Wars Memorial	90	81	0	171
Total	890	121	0	1,011

Trust Funds – Balance Sheet as at 31 March 2008

2006/07 £		2007/08 £
	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
39	Debtors	29
851	Cash	982
1,240	Total Assets	1,361
	Financed by:	
350	Fund Balance	350
890	Accumulated Investment Interest	1,011
1,240	Total Equity	1,361

The investments referred to above relate to War Loan Stock.

Note 46 Revenue Reserves

	Balance as At 1 April 2007	Surplus (+)/Deficit (-) in Year	Transfers in And Contributions To Reserves	Transfers out And Contributions From Reserves	Balance as At 31 March 2008
	£000	£000	£000	£000	£000
General Fund					
Total (excluding Schools)	8,371	1,475	1,086	-4,302	6,630
Schools Delegated Budgets	4,329	3,035	0	0	7,364
Total General Fund	12,700	4,510	1,086	-4,302	13,994
Trading					
Markets	22	0	0	-22	0
Insurance	1,231	0	964	0	2,195
Total – Trading	1,253	0	964	-22	2,195
Repayable					
Energy Conservation	543	0	203	-149	597
Invest to Save	750	0	35	-52	733
Total – Repayable	1,293	0	238	-201	1,330
Other Earmarked					
Museum	62	0	6	-30	38
Rating Revaluation Refunds	103	0	899	-1,002	0
RERF	202	0	79	0	281
Maintenance of Buildings	235	0	179	0	414
Statutory Costs	128	0	425	-79	474
Winter Conditions (Environmental & Development Services)	154	0	0	0	154
53 Week Year	67	0	0	-67	0
Property Asset Bank	143	0	0	-25	118
Managed Workspace R&R	255	0	0	-91	164
Objective 1	410	0	203	-613	0
Commutation Adjustment	7,337	0	1,282	-87	8,532
CENT ICT Refresh	111	0	0	0	111
Pupil Retention	139	0	0	-100	39
Housing Improvement Programme	45	0	0	-17	28
Dispersed & Furnished Units	0	0	55	0	55
Furnished Homes	60	0	185	0	245
Total – Earmarked	9,451	0	3,313	-2,111	10,653
Ring-fenced					
Asylum Seekers	338	0	662	-350	650
Housing Revenue Account	8,591	-2,111	0	0	6,480
Housing (Major Repairs Reserve)	8,294	0	0	-8,294	0
Schools' Declared Savings	1,044	0	85	-390	739
PFI – Schools	15,953	0	0	0	15,953
Landfill Allowance Trading Scheme	705	0	113	-508	310
Total – Ring-Fenced	34,925	-2,111	860	-9,542	24,132
Total – excluding General Fund	46,922	-2,111	5,375	-11,876	38,310
Total Reserves	59,622	2,399	6,461	-16,178	52,304

The sum of £7.364m 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. This reserve was closed on 31 March 2008.

(ii) Market Funds – Compactors

Used to defray the cost of replacement compactors. This reserve was closed on 31 March 2008.

(iii) Insurance

That part classified as a Reserve (as distinct from a Provision – see Note 42) 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) 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.

(ii) 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 2007/08 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. This reserve was closed on 31 March 2008.

(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. This reserve was closed on 31 March 2008.

(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. This reserve was closed on 31 March 2008.

(xiii) Objective One

Set up to even out the year on year demand on the Objective One Levy (contribution) budget. This reserve was closed on 31 March 2008.

(xiv) Waste Minimisation

This reserve was created to defray expenditure on Borough-wide waste reduction initiatives. This reserve was closed on 31 March 2008.

(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. During 2007/08 some of these funds were utilised when defaults occurred and the balances now stand at:

1. Rent Deposit Guarantee Scheme £22,057

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

2. Works in Default £5,586

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.

(xix) Dispersed Units

The outturn reflects payment of £55k income relating to Dispersed Units into an earmarked reserve, as the income from charges raised to replace furniture and fixtures at temporary units for the homeless is ring-fenced to the service area. A programme of refurbishment of the units is in place for 2008/09 and beyond. This service sits alongside the furnished accommodation scheme operated in the HRA to help support the establishment of vulnerable tenancies.

(d) Ring-fenced

(i) Asylum Seekers

This is a reserve set up to accommodate the way in which the grant income is received. The project is front loaded with grant higher in earlier years then trailing off in subsequent 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. Details are as follows:

2006/07			2007/08	
Tonnes	£000		Tonnes	£000
107,517	1,927	Current Asset: Fair Value of recognised allowances	119,458	597
67,930	1,222	Provision: Recognised Landfill usage	57,445	287
39,587	705	Reserves: Balance of Landfill Allowances at Market Value	62,013	310

Note 47 **Total Movement in Reserves**

Reserve	Restated Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	0	50,949	50,949	Unrealised gains from holding fixed assets	See Note (47c)
Capital Adjustment Account	923,184	-59,046	864,138	Balancing mechanism between depreciation rates and finance charged	See Note (47d)
Available-for-sale Reserve	0	0	0	Holding gains and losses arising from carrying available-for-sale assets at fair value	See Note (47f)
Financial Instruments Adjustment Account	0	-736	-736	Holding the difference between financing costs in the I & E and in the General Fund Balance	See Note (47g)
Pensions Reserve	-157,068	-74,366	-231,434	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note (47a)
Usable Capital Receipts	3,186	2,846	6,032	Proceeds of fixed assets available to meet future capital investment	See Note (47b)
Major Repairs Reserve	8,294	-8,294	0	Resources available to meet capital investment in council housing	See HRA statements Note 3, Page 94

Note 47 Total Movement in Reserves (continued)

Reserve	Restated Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose of Reserve	Further Details of Movements
Deferred Capital Receipts	201	-32	169	See Note 27 above	See Note 27 above
General Fund	12,700	1,294	13,994	Resources available to meet future running costs for non housing services	See Statement of Movement on the General Fund Balance Page 27
Housing Revenue Account	8,591	-2,111	6,480	Resources available to meet future running costs for council houses	See HRA statements Page 92
Other Reserves	30,037	1,793	31,830	Various earmarked reserves holding resources for specific purposes	See Note 46 above
Collection Fund	495	-225	270	Resources to be distributed to billing and precepting authorities	See Collection Fund Page 97
Total	829,620	-87,928	741,692		

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 2007/08	4,510	-2,111	0	0	0
Transfers in(+)/out (-) in the year	1,086	0	-225	-11,876	0
Appropriations to (+)/from (-) revenue	-4,302	0	0	5,375	-6,417
Actuarial gains and losses relating to pensions	0	0	0	0	-67,949
Balance brought forward at 1 April 2007	1,294	-2,111	-225	-6,501	-74,366
	12,700	8,591	495	38,331	-157,068
Balance carried forward at 31 March 2008	13,994	6,480	270	31,830	-231,434

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 46 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 2008. 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 2007/08	8,920	47,700
Amounts applied to finance new capital investment in 2007/08	-6,074	-47,612
Total increase(+)/decrease(-) in realised capital resources in 2007/08	2,846	88
Balance brought forward at 1 April 2007	3,186	23,551
Balance carried forward at 31 March 2008	6,032	23,639

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

	Revaluation Reserve £000
Gains(+)/losses(-) on revaluation of tangible assets in 2007/08	55,395
Gains(+)/losses(-) on revaluation of intangible assets in 2007/08	442
Amounts written off revaluation reserve for disposals in 2007/08	-4,376
Adjustment of current cost depreciation to match historic cost depreciation in 2007/08	-512
Balance brought forward at 1 April 2007	0
Total increase(+)/decrease(-) in unrealised capital resources in 2007/08	50,949
Balance carried forward at 31 Mar 2008	50,949

The Revaluation Reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

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

	Capital Adjustment Account £000	Government Grants Deferred £000	Total £000
Balances brought forward at 1 April 2007			
Government Grants Deferred	0	57,042	
Capital Financing Account	218,006	0	
Fixed Asset Restatement Account	713,082	0	
	931,088	57,042	
Prior Year Adjustments	-7,904	-5,157	
Restated balance brought forward at 1 April 2007	923,184	51,885	
Value of Assets Sold, Disposed of or Decommissioned			
- Amounts written off for deferred liability (Metropolitan Debt Administration)	604	0	604
- Amounts written on for PFI long term debtor	2,718	0	2,718
- Revaluation of assets for disposal in 2007/08	4,376	0	4,376
- Amounts written off intangible asset balances for disposals in 2007/08	-442	0	-442
- Amounts written off fixed asset balances for disposals in 2007/08	-13,962	0	-13,962
Total Value of Assets Sold, Disposed of or Decommissioned	-6,706	0	-6,706
Depreciation/amortisation of assets			
- depreciation of fixed assets in 2007/08	-29,017	0	-29,017
- amortisation of intangible assets in 2007/08	-264	0	-264
- adjustment to historic cost depreciation	512	0	512
Total depreciation/amortisation of assets in 2007/08	-28,769	0	-28,769
Impairment of fixed assets			
- Impairment of fixed assets in 2007/08	-55,198	0	-55,198
- De minimis expenditure written out to revenue in 2007/08	-414	0	-414
- Non-enhancing expenditure	-13,292	0	-13,292
Total impairment of fixed assets in 2007/08	-68,904	0	-68,904
Capital receipts set aside in 2007/08			
- reserved receipts	-159	0	-159
- usable receipts applied	6,074	0	6,074
Total capital receipts set aside in 2007/08	5,915	0	5,915

Note (d) Movements in amounts set aside to finance capital investment
(continued)

	Capital Adjustment Account £000	Government Grants Deferred £000	Total £000
Revenue resources set aside in 2007/08			
- capital expenditure financed from revenue	4,101	0	4,101
- capital expenditure financed from reserves	0	0	0
- reconciling amounts for provisions of loan repayments	0	0	0
- Minimum Revenue Provision	6,005	0	6,005
The revenue resources set aside in 2007/08	10,106	0	10,106
Grants applied to capital investment in 2007/08	0	47,612	47,612
Major Repairs Reserve applied	20,606	0	20,606
Creation and writing down of PFI deferred consideration	-128	0	-128
Government Grants Deferred written down in 2007/08	4,916	-4,916	0
Amounts transferred between the Capital Adjustments Account and Government Grants Deferred Account in 2007/08	25,268	-25,268	0
Deferred Charges written out in year	-21,350	0	-21,350
Movement on CAA and GGD	29,312	17,428	46,740
Total increase(+)/decrease(-) in amounts set aside to finance capital investment			-41,618
Balance carried forward at 31 March 2008	864,138	69,313	

The Capital Adjustment Account, replacing the Capital Financing Account, provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

The Government Grants Deferred Account represents amounts received to fund capital expenditure. The grants will be released to offset depreciation charged in respect of those fixed assets.

Note (e) Movements in Available-for Sale Reserve

	Total £000
Balance at 1 April 2007	0
Movement in year	0
Balance carried forward at 31 March 2008	0

This reserve has been opened to hold the gains and losses arising from the policy of carrying available-for-sale financial assets at fair value. At the 31 March 2008 the Council held no financial assets classified as available-for-sale.

Note (f) Financial Instruments Adjustment Account

	Total £000
Balance at 1 April 2007	0
Movement in year	
Premium and discounts	724
Soft Loans and financial guarantees	12
Balance carried forward at 31 March 2008	736

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

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

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

Note 48 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
Deficit per Income and Expenditure Account		79,677
<u>Items on an accrual basis:</u>		
Decrease in Stocks and Work-in-Progress	-17	
Increase in Debtors	8,049	
Increase in Creditors	-15,079	
		-7,047
<u>Other items</u>		
Minimum Revenue Provision	6,005	
Capital Expenditure charged to Revenue	4,101	
Decrease in Collection Fund Balance	225	
Contribution to Provisions and Reserves	-1,821	
Other non cash transactions	-87,446	
		-78,936
Net Revenue cash inflow (-)		-6,306

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 49 **Movement in Net Debt**

	£000
Cash increase 2007/08	10,709
Plus:	
Net Cash Outflow Before Financing	74,036
	84,745
<u>Analysis of Increase in Net Debt</u>	
Public Works Loans Board	10,233
Bonds	95,895
Temporary Loans (excluding PWLB)	-5
Short-term Investments	-21,378
	84,745
Opening Net Debt at 1 April 2007	161,361
Closing Net Debt at 31 March 2008	246,106
Increase in Net Debt	84,745

Note 50 **Increase/Decrease in Cash**

	£000
Cash in hand as at 31 March 2008	1,977
<u>Add:</u>	
Cash overdrawn as at 31 March 2007	8,732
Cash increase in 2007/08	10,709

Note 51 **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 52 **Government Grants**

Details relating to cash received from Government Grants are as follows:

	£000	£000
<u>Revenue</u>		
Dedicated Schools Grant	163,114	
Standards Fund	22,830	
Schools Standards Grant	8,965	
LSC Sixth Form Funding	10,072	
Early Years & Child Care Development	5,807	
European Grants	2,119	
Single Regeneration Budget	250	
Carers Grant	1,034	
Housing Subsidies	73,780	
Neighbourhood Renewal Fund	3,016	
LAA Grants	7,092	
PFI	6,223	
Supporting People	9,281	
LPSA Award Grant	1,870	
Access & Systems Capacity (Adult Social Service)	3,150	
Asylum Seekers Grant	1,665	
Bellwin Grant	1,132	
Other	<u>10,384</u>	
		331,784
<u>Capital</u>		
SureStart	2,301	
Standards Fund	6,436	
DSCF Flood Grant	661	
Mobile Technology Grant	67	
Heritage Lottery Fund	303	
Single Regeneration Budget	231	
NOF for Schools	21	
Big Lottery Fund	19	
Housing Market Renewal Pathfinder	8,790	
Yorkshire Forward	8,888	
Objective 1	6,837	
South Yorkshire Forest	325	
Environment Agency	240	
Planning Delivery Grant	39	
Department Environment Food & Rural Affairs	433	
Derelict Land Grant	258	
Department for Transport Direct	862	
Transport Supplementary Grant	3,502	
Communities & LA Grant	20	
Education Inspection Grant	13	
Disabled Facilities Grant	832	
Regional Housing Board	1,838	
Air Quality Grant	21	
Department of Health	<u>395</u>	
		43,332

Note 53 **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. There are no Post Balance Sheet Events to disclose for 2007/08.

Note 54 **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 2006/07 net closing balance has been restated as a result of £796,765 having been applied but not disclosed in the note. The closing balance for 2006/07 should have been £2.213m. The major balances of Section 106 receipts held by the Council at the end of the year and are as follows:

Restated 2006/07 £000		Income £000	Expenditure £000	2007/08 £000
1,438	Dinnington Colliery Site – Highways works	0	-1,402	36
184	Other – General Fund	0	0	184
591	HRA	0	-14	577
2,213	Total	0	-1,416	797

Note 54 **Authorisation**

This Statement of Accounts is authorised to be issued.

Signed.....

 A A Bedford, BA(Hons), CPFA

Date.....


Strategic Director of Finance

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.

The 2006/07 HRA has been restated following the incorporation of FRS17 requirements and a revised depreciation charge for that year.

Restated 2006/07 £000		2007/08 £000	Note
	Income		
50,595	Dwelling rents	53,492	
1,125	Non-dwelling rents	1,241	
2,813	Charges for services and facilities	1,959	
12,190	HRA subsidy receivable	12,312	
66,723	Total Income	69,004	
	Expenditure		
15,520	Repairs and maintenance	13,774	
9,897	Supervision and management	10,725	
7,183	ALMO Management Fee	7,128	
0	Rents, rates, taxes and other charges	4	
15,748	Negative subsidy-payments to Secretary of State	13,950	
259	Provision for bad or doubtful debts	343	8
17,138	Depreciation and impairment of Fixed assets	59,800	
147	Amortisation of Deferred Charges	1,258	9
156	Debt management costs	184	
66,048	Total Expenditure	107,166	
-675	Cost of HRA Services as included in the whole Authority Income and Expenditure Account	38,162	
280	HRA services share of Corporate and Democratic Core	230	
271	HRA share of other amounts included in whole Authority Net Cost of Services but not allocated to specific services	277	
-124	Net Cost of HRA Services	38,669	
289	Gain or loss on sale of HRA fixed assets	70	10
5,676	Interest Payable and similar charges	8,343	11
-607	Interest receivable	-687	
104	Amortised Premium/Discounts	96	12
53	Pensions interest cost and expected return on pension assets	25	13
5,391	Surplus (-)/Deficit (+) for the year on HRA services	46,516	

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.

Restated 2006/07 £000		2007/08 £000
5,391	Surplus/Deficit for the year on HRA Income and Expenditure Account	46,516
-3,551	Net Additional amount required by statute to be debited/credited to the HRA Balance for the year	-44,405
1,840	(Increase)/Decrease in the Housing Revenue Account Balance	2,111
-10,431	Housing Revenue Account surplus brought forward	-8,591
-8,591	Housing Revenue Account surplus carried forward	-6,480

Restated 2006/07 £000		2007/08 £000
0	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year Difference between interest payable and similar charges, including amortisation of premium and discounts determined in accordance with the SORP and those determined in accordance with statute	0
-1,129	Difference between any other item of income and expenditure determined in accordance with SORP and determined in accordance with statutory HRA requirements (if any)	-40,987
-407	Net contribution made for retirement benefits in accordance with FRS17	-338
-289	Gain or loss on sale of HRA fixed assets	-70
-1,825	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year	-41,395
2,000	Capital Expenditure funded by HRA	4,085
-3,891	Transfer to (+) / from (-) Major Repairs Reserve	-6,501
312	Employer's contributions payable to Local Government Pension Scheme and retirement benefits payable direct to pensioners	265
-147	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	-859
-3,551	Net additional amount required by statute to be debited/credited to the HRA Balance for the year	-44,405

Notes to the Housing Revenue Account

Note 1 **Housing Stock at 31 March 2008**

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,261	2,805	5,070
2 Bedroom	1,999	2,833	1,909	6,741
3 Bedroom	8,727	301	44	9,072
4+ Bedroom	239	9	0	248
Total	10,969	5,404	4,758	21,131

Note 2 **Housing Stock Valuations**

(a) Operational Assets including Dwellings

Council Dwellings	£000
As at 1 April 2007	801,849
Additions in Year	78,397
Disposals and Demolitions	-8,396
Reclassification	-1,782
Revaluations in Year	14,480
Depreciation in Year	-18,635
Impairment	-40,101
Net Book Value as at 31 March 2008	825,812

Garages and other assets	£000
As at 1 April 2007	6,599
Additions in Year	0
Revaluations in Year	4,323
Reclassification	1,782
Depreciation in Year	-178
Disposals and Demolitions	-921
Impairment	-886
Net Book Value as at 31 March 2008	10,719

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

	£m
Value as at 1 April 2007	1,757

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.

Restated 2006/07 £000		2007/08 £000
1,283	Balance as at 1 April	8,294
16,081	Depreciation in the year	18,813
-3,891	Reversal of depreciation in excess of MRA	-6,501
0	Adjustment to MRR in respect of Depreciation	0
-5,179	Financing of Capital Expenditure	-20,606
8,294	Balance as at 31 March	0

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). In 2007/08, the depreciation charged to the account less the MRA of £12.312m equals the reversal of the depreciation figure shown above (£6.501m).

Note 4 Financing of Capital Expenditure

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

	2007/08 £000
Borrowing	52,116
Capital Receipts	3,099
Revenue Contributions	4,085
Government Grants/Other Capital Income	326
Major Repairs Reserve	20,606
Total	80,232

During the year total capital receipts of £9.660m were received by the HRA, of which £3.385m was available to support capital expenditure within the Council. To support the Housing Investment Programme (HIP) £3.099m of Right to Buy receipts were used (including a balance C/F from 2006/07 of £0.631m), leaving an accumulated balance of £3.471m unused.

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 2007 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 2007 and has been calculated using the 'straight line' method over 25 years.

Note 6 Impairment

An impairment charge of £40.987m has been included in the HRA Income and Expenditure Account (£1.129m in 2006/07). This charge is reflected in the HRA Income and Expenditure Account in assessing the deficit on HRA Services but reversed out in determining the movement on the HRA Balance.

Note 7 HRA Subsidy

2006/07 £000	Notional HRA for Subsidy Calculation	2007/08 £000
28,272	Management and Maintenance	29,570
12,190	Major Repairs Allowance	12,312
1,530	Rent Constraint Allowance	2,969
7,757	Charges for Capital	10,024
-17	Interest on Receipts	-11
34	Admissible Allowance	0
-53,627	Guideline Rent Income	-56,436
-3,861		-1,572
69	Defects grant and prior year adjustments	-66
-3,792	Notional Surplus (to be paid to Government)	-1,638

All councils are required to produce a notional HRA for subsidy calculation purposes using measures of income and expenditure determined by central Government. If there is a surplus on the notional HRA, that surplus has to be paid to central Government from the actual HRA. The notional HRA's net surplus, after allowing for receiving Major Repairs Allowance, to be paid to the Department of Communities and Local Government (DCLG) is shown above. The Rent Constraint Allowance (RCA) seeks to offset lost actual rental income brought about by the DCLG capping an Authority's average rent increase to 5% in 2006/07 and 2007/08.

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

2006/07 £000	Rent Arrears	2007/08 £000
893	Current Tenants	942
1,442	Former Tenants	1,641
2,335	As at 31 March	2,583

As at 31 March 2008, the level of rent arrears for current tenants as a proportion of gross rent income was 1.76% (1.95% 2006/07).

2006/07 £000	Bad Debt Provision in respect of rent income	2007/08 £000
1,027	As at 1 April	1,372
345	Increase in Provision	283
1,372	As at 31 March	1,655

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

2006/07 £000	Bad Debt Provision in respect of the rechargeable repairs	2007/08 £000
750	As at 1 April	134
-86	Increase(+)/Decrease(-) in Provision	60
-530	Change in the year	-119
134	As at 31 March	75

Note 9 Amortisation of Deferred Charges

In 2007/08 the amortised cost of deferred charges debited to the HRA was £1.258m (£0.147m in 2006/07).

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 premium.

Note 12 Amortised Premiums/Discounts

The cost of debt redemption premiums charged to the HRA in 2007/08 was £0.096m (£0.104m in 2006/07). The total comprises Premiums of £0.191m and Discounts of £0.095m.

Note 13 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an FRS 17 basis, but to reverse the impact of FRS 17 based accounting to the Pensions Reserve to ensure that it does not impact on council tax or housing rents.

THE COLLECTION FUND**REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2008**

2006/07			2007/08		Note
£000	£000		£000	£000	
78,027		Council Tax	82,368		
<u>16,984</u>	95,011	Council Tax Benefits	<u>17,676</u>	100,044	
	<u>56,986</u>	National Non-Domestic Rates		<u>55,514</u>	2
	151,997	Total Income		155,558	
		<u>Precepts</u>			
80,982		Rotherham Borough Council	85,014		
8,381		South Yorkshire Police Authority	8,816		
<u>3,794</u>	93,157	South Yorkshire Fire & Civil Defence	<u>3,991</u>	97,821	
		Distribution of Collection Fund Surplus		1,980	
	2,555				
	56,265	Contribution to NNDR Pool		54,924	
		<u>Provision for Bad Debts</u>			
41		NNDR	-38		
228		Council Tax	193		
<u>-1</u>	268	Community Charge	<u>0</u>	155	
	354	Council Tax Write-Offs		249	
	372	NNDR Write-Offs		295	
	<u>298</u>	Collection Costs – NNDR		<u>301</u>	
	153,269	Total Expenditure		155,725	
	1,272	Deficit (+) for the year		167	

THE COLLECTION FUND BALANCE

2006/07			2007/08		Note
£000	£000		£000	£000	
-1,881		Balance as at 1 April	-609		
1,272		Deficit (+) for the year	167		
-609		Balance as at 31 March	-442		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 2007/08 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	34,474	6/9	33,440
B	14,196	7/9	13,769
C	10,810	8/9	10,486
D	7,274	9/9	7,056
E	4,476	11/9	4,342
F	2,044	13/9	1,983
G	819	15/9	794
H	40	18/9	39
	74,133		71,909

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 £55,514,000 for 2007/08 (£56,986,000 in 2006/07) after allowing for reliefs and provisions was based on a total rateable value of £150,740,961 (£153,664,762 as at 31 March 2007) and a national multiplier of 44.4 pence in the pound and a small business rating multiplier of 44.1 pence in the pound (43.3 pence and 42.6 pence respectively in 2006/07).

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 2008 (£0.442m) 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:

2006/07 £000		2007/08 £000
495	Billing Authority – Rotherham MBC	270
	Major Precepting Authorities:	
78	- South Yorkshire Police Authority	118
36	- South Yorkshire Fire and Civil Defence Authority	54
609	Total	442

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 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

Restated 2006/07 £000	<u>Capital Account</u>	2007/08 £000
1,369	Cash Overdrawn 1 April	-193
0	Transfer to Financial Instruments Adjustments Account	886
-1,698	Adjustment to loans outstanding for interest accruals	-183
13,500	Add: Expenditure in the year – Loans repaid	81,777
13,171		82,287
	Less income:	
10,000	Loans raised	81,789
3,364	Repayments by Relevant Authorities	3,700
-193	(+)Cash Overdrawn/(-)Cash at bank 31 March	-3,202

2006/07 £000	<u>Revenue Account</u>	2007/08 £000
6,670	Interest Paid on Outstanding Loans	6,240
298	Management and other expenses	274
6,968		6,514
6,968	Less: Charged to Relevant Authorities	6,514
0		0

Restated 2006/07 £000	<u>Balance Sheet as at 31 March</u>	2007/08 £000
	Capital Liabilities	
103,698	Loans Outstanding	103,893
-193	(+)Cash Overdrawn/(-)Cash at bank	-3,202
103,505		100,691
	Capital Assets	
103,505	Advances Outstanding	99,805
	Reserves	
0	Financial Instruments Adjustments Account (FIAA)	886
103,505		100,691

The prior year implications arising from the implementation of FRS 25, 26 and 29 have been adjusted in the 2007/08 accounts as required by the SORP. However to aid the readers' understanding of the accounts some of the comparative figures in the 2006/07 Balance Sheet have been restated by adjusting for interest accruals relating to the 2006/07 years. Whilst this is not a requirement of the SORP it is felt that this aids comparability year on year.

Note 1 **Financial Instruments – Balances**

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

	Long Term		Short Term	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
Financial liabilities (principal amount) - PWLB	102,000	102,012	0	0
Financial liabilities at amortised cost - PWLB	103,698	103,893	0	0
Loans and receivables (principal amount)	0	0	0	0
Loans and receivables at amortised cost	0	0	0	0

Note 2 **Financial Instruments – Maturity Analysis**

The maturity analysis of financial liabilities is as follows:

31 March 2007 £000		31 March 2008 £000
1,698	Less than one year	1,881
0	Between one and two years	0
16,500	Between two and seven years	5,600
40,500	Between seven and fifteen years	96,412
45,000	More than fifteen years	0
103,698		103,893

Note 3 **Financial Instruments – Fair Values**

The fair values of the financial instruments are as follows:

31 March 2007			31 March 2008	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
103,698	109,903	Financial Liabilities - Debt	103,893	115,493
0	0	Loans and Receivables	0	0

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

Note 4 **Financial Instruments Adjustment Account**

	Total £000
Balance at 1 April 2007	0
Movement in year	
Premium and discounts	886
Balance carried forward at 31 March 2008	886

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

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

Group Income and Expenditure for the period ended 31 March 2008

Restated 2006/07 Net Expenditure £000		2007/08			Note
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
1,755	Central Services to the Public	3,952	-1,770	2,182	
358	Court and Probation Services	402	-9	393	
26,560	Cultural, Environment & Planning Services	70,137	-35,668	34,469	
18,677	Education Services	324,774	-269,941	54,833	
11,191	Highways, Roads & Transport Services	16,261	-2,673	13,588	
1,712	Housing Revenue Account (HRA)	103,668	-68,054	35,614	
2,124	Other Housing Services	92,387	-88,771	3,616	
83,240	Social Services	108,977	-40,223	68,754	
7,997	Corporate & Democratic Core	5,979	-762	5,217	
7,006	Non Distributed Costs	7,307	-253	7,054	
0	Exceptional Items	2,744	-1,403	1,341	
-2	Share of Associate's profits	0	-2	-2	
160,618	Net Cost of Services	736,588	-509,529	227,059	
559	Gain or loss on disposal of fixed Assets	324	0	324	
1,820	Parish Council Precepts	1,891	0	1,891	
18,883	County and Other Levies	19,463	0	19,463	
178	Deficit on Trading Operations	86	0	86	
16,378	Interest Payable or Similar Charges	20,802	0	20,802	
-5,479	Interest & Other Investment Income	0	-9,254	-9,254	
17	Tax Payable	28	0	28	2
144	Cost of Repurchasing borrowing	0	0	0	
3,713	Pension Interest Cost and Expected Return on Pensions Assets	2,182	-131	2,051	
7,913	Contribution to Housing Pooled Capital Receipts	6,206	0	6,206	
204,744	Net Operating Expenditure	787,570	-518,914	268,656	

Group Income and Expenditure (continued)			
2006/07 Net Expenditure £000		2007/08 Net Expenditure £000	Note
204,744	Brought forward	268,656	
-15,813	General Government Grants	-14,699	
-6,222	PFI Support Grant	-6,223	
-81,918	Non Domestic Rates Distribution	-87,586	
-80,982	Demand on the Collection Fund	-85,014	
-2,250	Transfer from the Collection Fund in respect of surpluses	-1,800	
17,559	Income and Expenditure Account Deficit	73,334	
-4,329	General Fund balance attributable to school budgets	-7,364	

Reconciliation of the Single Entity surplus (-)/deficit (+) for the year to the Group surplus (-)/deficit (+)

2006/07 £000		2007/08 £000
13,287	Deficit (+) on the Authority's single entity income and expenditure account	75,645
-	Less: Dividend income from group entities included in single entity income and expenditure account	-
4,270	Add: Surplus (-) or deficit (+) arising from group entities	-2,309
-2	Subsidiaries	-2
	Associates	
17,559	Group deficit	73,334

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.

2006/07 £000		2007/08 £000
17,559	Net surplus (-) or deficit (+) for the year	73,334
-165,320	Surplus (-) or deficit (+) on revaluation of fixed assets	-56,162
0	Surplus(-)/deficit(+) arising on revaluation of available-for-sale financial assets	0
-44,371	Actuarial gains and losses on the pension fund assets and liabilities	69,958
-2,064	Any other gains (-) and losses (+) recognised in the STRGL	496
-194,196	Total recognised gains (-) or losses (+) for the year	87,626

Group Balance Sheet as at 31 March 2008

Restated 2006/07			2007/08		Note
£000	£000		£000	£000	
	264	Intangible Assets		0	
		Tangible Fixed Assets			
801,849		Operational Assets	825,812		
367,468		Council Dwellings	382,356		
		Other Land & Buildings			
		Vehicles, Plant, Furniture & Equipment	2,539		
1,132		Infrastructure Assets	50,374		
45,066		Community Assets	4,043		
7,893			<u>1,265,124</u>		
1,223,408					
		Non-Operational Assets			
20,057		Investments Properties	19,642		
13,316		Surplus Assets	26,279		
11,635		Assets under Construction	40,435		
45,008	<u>1,268,416</u>		<u>86,356</u>	<u>1,351,480</u>	
	1,268,680	Total Fixed Assets		1,351,480	
	12,430	Long-term Investments		15,973	
	9	Investments in Associates		9	
	8,865	Long-term Debtors		9,971	
	<u>875</u>	Deferred premiums on early repayment of debt (net of discounts)		<u>0</u>	
	1,290,859	Total Long-Term Assets		1,377,433	
		Current Assets			
1,094		Stock and Work in Progress	1,082		
44,628		Debtors	64,776		3
1,927		Landfill Usage Allowances	597		
117,167		Short-term Investments	138,545		
214		Cash in hand or at Bank	1,977		
165,030			<u>206,977</u>		
		Current Liabilities			
-82,254		Creditors	-99,250		3
-5		Temporary Loans	0		
-604		Deferred Liabilities	-664		
-8,732		Balance at bank -overdrawn	-6,191		
-91,595	<u>73,435</u>		<u>-106,105</u>	<u>100,872</u>	
	1,364,294	Total Assets less Current Liabilities		1,478,305	
-279,680		Long-term Borrowing	-385,808		
-16,295		Deferred Liabilities	-15,630		
-7,083		Provisions	-8,236		
-51,885		Government Grants Deferred	-69,313		
		Unapplied Capital Grants/Contributions	-23,639		
-23,551		Pensions – Liability	-241,776		
-164,271	<u>-542,765</u>		<u>-744,402</u>		
	821,529	Total Assets less Liabilities		733,903	

Group Balance Sheet as at 31 March 2008 (continued)

Restated 2006/07			2007/08		Note
£000	£000		£000	£000	
	0	Revaluation Reserve		50,949	
	927,427	Capital Adjustment Account		864,138	
	0	Available-for-sale Reserve		0	
	0	Financial Instruments Adjustment Account		-736	
	-164,271	Pensions Reserve		-241,776	
	-5,389	Usable Capital Receipts		6,032	
	8,294	Major Repairs Reserve		0	
	201	Deferred Capital Receipts		169	
	54,772	Other Reserves		54,857	
	495	Collection Fund		270	
	821,529	Total Equity		733,903	

Group Cash Flow Statement for the period ended 31 March 2008

Restated 2006/07			2007/08	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows:		
323,066		Cash paid to and on behalf of employees	319,473	
255,745		Other Operating Costs	327,177	
16,702		Housing Benefit paid out	18,160	
57,493		National non-domestic rate payments to pool	59,275	
14,300		Precepts paid	14,878	
<u>10,012</u>	677,318	Payments to Capital Receipts Pool	<u>7,003</u>	745,966
		Cash Inflows:		
-21,056		Rents (after rebates)	-22,060	
-77,660		Council Tax Income	-82,558	
-81,918		National non-domestic rates receipts from pool	-87,586	
-52,566		National non-domestic rate income	-52,352	
-15,813		Revenue Support Grant	-14,699	
-16,584		DWP Housing Benefit Grant	-18,319	
-308,636		Other Government Grants	-331,784	
-123,115		Cash received for Goods and Services	-132,987	
<u>-19,034</u>	-716,382	Other Operating Cash Receipts	<u>-12,791</u>	-755,136
		SERVICING OF FINANCE		
		Cash Outflows:		
14,220		Interest Paid	18,400	
		Cash Inflows:		
<u>-3,678</u>	10,542	Interest Received	<u>-9,131</u>	9,269
	-28,522	Net Revenue Cash Outflow(+)/Inflow(-)		99
		CAPITAL ACTIVITIES		
		Cash Outflows:		
120,863		Purchase of Fixed Assets	158,783	
<u>2,000</u>	122,863	Purchase of Long Term Investments	<u>8,543</u>	167,326
		Cash Inflows:		
-18,827		Sale of Fixed Assets	-15,163	
-22,342		Capital Grants Received	-43,332	
<u>-16,521</u>	-57,690	Other Capital Income	<u>-23,489</u>	-81,984
	36,651	Net Cash Outflow(+)/Inflow(-)		85,441
		ACQUISITIONS AND DISPOSALS		
0		Sale of Long Term Investment		- 5,000
0	<u>0</u>	Investment in Associates or Joint Ventures		<u>0</u>
	36,651	Net Cash Outflow(+)/Inflow(-) Before Financing		80,441
			21,378	
		MANAGEMENT OF LIQUID RESOURCES	<u>0</u>	
55,920		Net increase/decrease in short term deposits		
<u>0</u>	55,920	Net increase/decrease in other liquid resources		21,378
		FINANCING		
		Cash Outflows:		
	185,654	Repayments of amounts borrowed		265,552
		Cash Inflows:		
-126,725		New Loans Raised	-110,900	
<u>-134,537</u>	-261,262	New Short Term Loans	<u>-260,775</u>	-371,675
	16,963	Cash decrease(+)/increase(-)		-4,304

Notes to the Group Accounts

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

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

Having considered its involvement with all companies and organisations, including those listed in Note 40 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%.

During the financial year RBT (Connect) Ltd provided services worth £29.913m to the Council. At the 31 March 2008 a sum of £3,494,306 was payable by RBT (Connect) Ltd to the Council and £4,894,917 was owed from the Council to RBT (Connect) Ltd.

Note 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.

Note 2 Group Income and Expenditure Account

The Group Income and Expenditure Account has been prepared incorporating the results of 2010 Rotherham Ltd, a subsidiary company and RBT Connect Ltd an associate.

The management fee of £12,360,000 paid by the Council to 2010 Rotherham Ltd has been eliminated on consolidation.

Taxation shown of £28,000 arises on the losses of 2010 Rotherham Ltd.

Note 3 Group Balance Sheet

Current Assets and Liabilities

At 31 March 2008 2010 Rotherham Ltd owed the Council £5,027,000 and was owed £10,248,000 by the Council. These balances have been eliminated on group consolidation.

It has also been acknowledged that 2010 Rotherham Ltd has disclosed within its accounts that the Council owes £10,589,000 to the company. This is due to possible losses of £341,000 in 2008/09 on the discontinuation of the 2010 Rotherham Ltd window manufacturing operation being recognised in the 2010 Rotherham Ltd accounts and funded by deferred income due from the Council. This has not been recognised in the Council accounts as the liability is difficult to estimate with certainty and would not become due until 2008/9

Pensions Liability

The Pensions liability of 2010 Rotherham Ltd at 31 March 2008 was £10,342,000.

Note 4 Group Cash Flow Statement

The change in the cash position over the Council's Cash Flow Statement reflects the Group increase of £4,304,000.

Note 5 RBT Contract – Non-Distributable Reserve Account

This account was closed in 2007/08 and has been settled in full.

Note 6 2010 Rotherham Ltd

A financial recovery plan is in place which has been subject to external inspection by the Audit Commission Housing Inspectorate. The plan aims to eliminate the accumulated losses at 2010 Rotherham Ltd. It is therefore not expected that there will be any impact on the Council's financial position arising from the financial performance of 2010 Rotherham Ltd.

Additional Information

Annual Governance Statement

Audit Certificate

Glossary

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2007/08**CONTENTS****1. SCOPE OF RESPONSIBILITY****2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK****3. THE GOVERNANCE FRAMEWORK**

- 3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- 3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements
- 3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.
- 3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and office functions, with clear delegation arrangements and protocols for effective communication
- 3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- 3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- 3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
- 3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- 3.9 Whistle-blowing and for receiving and investigating complaints from the public
- 3.10 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- 3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- 3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

4. REVIEW OF EFFECTIVENESS

The Authority (Council / Cabinet)

The Executive (Corporate Management Team)

Corporate Improvement Board

The Audit Committee

Performance Scrutiny and Overview Committee

The Standards Committee

Internal Audit

External Audit

Action Plan and Continuous Improvement

5. SIGNIFICANT GOVERNANCE ISSUES

Follow up on 2006/07 significant governance issues

5.1.1 Payroll

5.1.2 Rotherham 2010 Limited

5.1.3 Yorkshire Purchasing Organisation (YPO)

5.1.4 South Yorkshire Trading Standards Unit

5.1.5 Asset Information

5.1.6 Criminal Records Bureau (CRB) Checks

5.1.7 Local Government Ombudsman complaints

5.1.8 Footpaths inspection

5.2 Significant governance issues arising from the 2007/08 review of the effectiveness of the governance framework

5.2.1 Payroll

5.2.2 Criminal Records Bureau (CRB) Checks

5.2.3 I.T Business Continuity Arrangements

5.2.4 Health and Safety

5.2.5 Floods

5.2.6 Customer Perception / Satisfaction

6. LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2007/08**1 SCOPE OF RESPONSIBILITY**

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

In discharging these responsibilities, Rotherham Metropolitan Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and this includes arrangements for the management of risk.

Rotherham Metropolitan Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.rotherham.gov.uk or can be obtained from Steve Merriman on 01709 822087. This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 Rotherham Metropolitan Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

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

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners: Local Strategic Partnership members including local businesses, RBT (Rotherham Brought Together), Rotherham 2010 Ltd, South Yorkshire Police, Private Finance Initiative (PFI) Partners, Voluntary & Community Sectors, National Health Service.

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements

The Council periodically updates its vision, objectives and performance targets by reviewing the Community Strategy, Corporate Plan and Local Area Agreement.

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.

A Corporate Improvement Plan has been developed to help the Council to deliver its corporate priorities and provide the best possible services to the public.

3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

The Council's performance management framework has been consistently praised by the Audit Commission in its annual Comprehensive Performance Assessment. The framework has recently been updated as part of the Council's drive towards continuous improvement. The Council has also been active in developing a joint performance management framework within the Local Strategic Partnership to meet the requirements of the new national performance agenda. The Council is encouraging LSP partners to link up with its own performance data system so integrated monitoring can take place across all community strategy and local area agreement objectives.

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS). Success is measured annually by the Audit Commission Use of Resources Key Lines of Enquiry.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution sets

out the basic rules governing the manner in which the Council conducts its business. The appendices contain more detailed procedures and codes of practice regulating different aspects.

The Council has a Scheme of Delegation whereby functions and decision-making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards and committees and officers. An amended Scheme of Delegation was adopted by the Council at the beginning of the municipal year, which included revised portfolios for Cabinet Members and associated delegated powers.

The Council has a Member/officer protocol which has been provided to all Members of the Council and forms an appendix to the Officer Code of Conduct. The protocol encourages the effective transaction of business by setting out the respective roles of members and officers and guidelines for good working relationships between them.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

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."

The Council adopted a revised Code of Conduct for Members on 1st October 2007. Prior to this, training was provided by the Assistant Chief Executive (Legal and Democratic Services) and external training was also provided.

The Council has agreed revised membership arrangements for the Standards Committee and for the creation of sub-committees in order to deal with the additional functions of assessing all allegations that Members may have breached the Code of Conduct, which come into force in May 2008.

3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders 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.

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.

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 Service Directors are actively managing.

3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and oversees the financial reporting process.

3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

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.

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

3.9 Whistle-blowing and for receiving and investigating complaints from the public

The Council has a Confidential Reporting code for staff and a comprehensive Complaints Procedure. A report on the Confidential Reporting Code and of issues raised under it was submitted to the Standards Committee in April 2008.

3.10 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

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 Metropolitan University for the provision of bespoke and accredited management training.

Induction courses and e-learning packages are available for new Members and officers. A comprehensive programme of development activities (including induction) and training are specifically designed to improve the knowledge, skills and abilities of elected Members in their individual or collective roles in meeting the Council's corporate objectives and to ensure that all Members are fully supported to carry out their increasingly complex

roles. Members' individual development needs are identified through a personal development plan.

A programme of seminars is run each year on topical governance issues for both Members and officers.

3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

In developing the vision for Rotherham, the Council entered into a range of public consultation exercises to focus on the detail of the vision and associated priorities. The Corporate Plan reflects important issues identified by local communities.

Rotherham's Communications and Marketing Strategy is aimed at ensuring that citizens link continuous service improvements with the Council's core and associated brands, leading to increased satisfaction rates and enhanced reputation.

3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

The Council has issued comprehensive guidance to Directors covering expected good practice in respect of managing the four key areas of Partnerships risk :

- Governance Arrangements
- Financial Management Arrangements
- Performance Management Arrangements
- Ethical Arrangements

4 REVIEW OF EFFECTIVENESS

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

A portrayal of the review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework, is outlined below in relation to the role of:

4.1 The Authority (Council / Cabinet)

In terms of reviewing the Council's vision, purpose, and objectives the Cabinet has extensively reviewed the Community Strategy, Corporate Plan and Local Area Agreement. The plans have been updated to cover the period 2008-2011 in line with the Local Area Agreement timeframe. The review includes the approval of the list of performance indicators and targets forming the basis of the 2008-2011 Local Area Agreement.

During the year Cabinet reviewed progress on delivering the 63 commitments outlined in the 2007/08 Year Ahead Statement – ‘Transforming the Borough Together’. Each commitment was mapped against the vision themes so that it:

- Contributed to the Corporate Plan and vision
- Showed the spread of the Council’s key activities in 2007/08
- Supported across-the-Council working to assist delivery and performance management

In order to ensure the Council becomes the flexible and adaptive organisation it needs to be in the future, it has committed to put in place a robust Organisational Development Strategy (‘Our Future : Staying Ahead’) that will guide the Council to achieve its vision.

The Council has taken account of the 2007 CIPFA / SOLACE Framework publication “Delivering Good Governance in Local Government” in reviewing its Local Code of Corporate Governance and The Framework for the production of its Annual Governance Statement.

Cabinet has reviewed the Council’s Risk Management Policy and Strategy in line with best practice and has continued to review the Corporate Risk register on a quarterly basis.

Cabinet has reviewed the 2007/08 targets in the Council’s 2007-10 Corporate Workforce Strategy.

In order to better inform and engage citizens the Council agreed detailed proposals to launch a self funding community newspaper in 2008 on behalf of the Local Strategic Partnership. This paper will replace ‘Rotherham Matters’.

Cabinet received regular Revenue Monitoring Reports throughout the financial year.

Cabinet received regular progress reports on the implementation of the Local Development Framework that is key to delivering sustainable development and sustainable decisions.

Cabinet extensively reviewed the way the Council dealt with the June 2007 floods and their impact on Business Continuity arrangements. As a result the Council has now purchased flood insurance cover and flood risk is captured on the Corporate Risk Register which is reported on quarterly.

Cabinet has reviewed the Council’s Corporate Records Management Policy.

During 2007/08 the Council authorised Birmingham City Council to investigate and institute proceedings against any illegal money lenders operating within areas of Rotherham.

Cabinet has reviewed Financial Regulations and the Council’s Medium Term Financial Strategy

Council Seminars that took place during the year included : Code of Conduct; Fire Authority Corporate Plan; The Year Ahead; Risk Management; Joint Venture Partnership with BT (RBT); Consultation / Community Involvement

Framework; The Local Government & Public Involvement in Health Act 2007;
The Budget; Medium Term Financial Strategy.

4.2 The Executive (Corporate Management Team)

During the past year the Corporate Management Team received reports regarding the management of the following good governance related issues :

<p>Vision :</p> <ul style="list-style-type: none"> • Community Strategy / Corporate Plan / Local Area Agreement • 'Our Future' – Organisation Development Strategy • Transformation and Change Programme • Town Centre Accommodation Strategy • Policy Review Process – Policy Review 2007 	<p>Performance Management :</p> <ul style="list-style-type: none"> • Year Ahead Final Report 2007/08 • Corporate Improvement Plan • National Indicator Set • Major External Funding Regimes • Council Overall Performance • Performance Clinics • Our Futures Progress Report • Best Value Performance Indicators • Audit and Inspection Recommendations Progress • Achievements in 2007
<p>Financial Management :</p> <ul style="list-style-type: none"> • Base Budget Review 2007 • Final Accounts Closedown • Capital Monitoring • Revenue Budget Monitoring • Reserves • Prudential Indicators and Treasury Management & Investment Strategy • Medium Term Financial Strategy 	<p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register • Flood Risk Management • Flooding Action Plan • Review of Insurance Claims • Risk Survey of Non PFI Schools • Review of Risk Management Policy and Strategy • Insurance Review and Tender
<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Review of Local Code • Statement of Internal Control / Broader Governance Statement • Devolution and Delegated Powers • Review of Framework for the production of the Annual Governance Statement 	<p>Capacity and Capability :</p> <ul style="list-style-type: none"> • Management Development Prog. • Work-style and Flexible Working • Corporate Workforce Strategy
<p>External Audit :</p> <ul style="list-style-type: none"> • Comprehensive Performance Assessment • Comprehensive Area Assessment • CPA Framework for 2008 • Performance and Development Review Audit • Use of Resources Judgement 2007 • Annual Audit and Inspection Letter 	<p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Communication and Marketing • Branding Strategy • Informing and Engaging Citizens • Improving Satisfaction Levels • Internal Communications Protocol • Corporate Complaints • Council Wide Accreditation against Customer Service Standard
<p>Internal Audit :</p> <ul style="list-style-type: none"> • Review of progress on the Internal Audit Plan • Annual Review of the Effectiveness of Internal Audit • External Audit Follow Up Review of Internal Audit 	<p>Procurement :</p> <ul style="list-style-type: none"> • Commissioning Framework • RBT Contract Renegotiation • Ethical Procurement Strategy

4.3 Corporate Improvement Board

During 2007/08 the Corporate Improvement Board, in overseeing the successful implementation and delivery of the Corporate Improvement Plan, received reports on the following good governance related issues :

Performance Management :

- Corporate Improvement Plan
- Performance Clinics
- Performance Management Events
- Data Quality Management
- Local Area Agreement
- CPA – The Harder Test Framework for 2008, Proposals and Potential Impact
- Comprehensive Area Assessment
- Use of Planning Obligations (Section 106 Agreements)
- CPA Direction of Travel
- Children’s Annual Performance Assessment

4.4 The Audit Committee

During 2007/08 the Audit Committee provided independent assurance about the following good governance related issues:

<p>Internal Control, Corporate Governance & Risk Management :</p> <ul style="list-style-type: none"> • Statement of Internal Control / Broader Governance Statement • Corporate Risk Register • Partnerships Governance • Ethical Standards Self-Assessment Survey • Review of the Local Code of Corporate Governance • Review of Local Area Agreement • Audit Committee Annual Report • Review of Framework for the production of the Annual Governance Statement • Review of Risk Management Policy and Strategy 	<p>Accounts :</p> <ul style="list-style-type: none"> • Accounting Policies • Prudential Indicators • Treasury Management and Investment Strategy • Payroll System • Code of Practice on Local Authority Accounting • Statement of Accounts
<p>Internal Audit :</p> <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Annual Report • Annual Review of Internal Audit • Customer Satisfaction Survey • Progress against Internal Audit Plan • Hosting a South and West Yorkshire Audit Event • L G White Paper implications 	<p>External Audit :</p> <ul style="list-style-type: none"> • Data Quality Management • Review of Housing Management • Follow up review of Internal Audit • Annual External Audit Report • Government Grant Claims/Returns • Study on Strategic Partnering • Use of Resources Judgement 2007

4.5 Performance Scrutiny and Overview Committee

During 2007/08 the Performance Scrutiny and Overview Committee considered and reviewed the following good governance related issues :

<p>Vision :</p> <ul style="list-style-type: none"> • Local Area Agreement / Community Strategy Refresh • Corporate Plan Refresh • Year Ahead Statement 'Transforming the Borough Together' 	<p>Performance Management :</p> <ul style="list-style-type: none"> • Quarterly Reports on Council's Overall Performance • CPA Direction of Travel • Best Value Performance Indicators
<p>Financial Management :</p> <ul style="list-style-type: none"> • Revenue Budget Monitoring • Budget and Medium Term Financial Strategy 	<p>Risk Management :</p> <ul style="list-style-type: none"> • Integrating Emergency Management • Quarterly Reports on Corporate Risk Register • 2007 Floods
<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Statement of Internal Control • Role of Performance and Scrutiny Overview Committee • Review of Local Code of Corporate Governance • Code of Conduct • Forward Plan of Key Decisions – Benchmarking Exercise • Scrutiny Self Evaluation Framework 	<p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Corporate Complaints Review • Review of Scrutiny's Engagement with the Public • Customer Access Strategy Review • Publication of the Annual Scrutiny Report
<p>Procurement :</p> <ul style="list-style-type: none"> • Procurement Local Performance Indicators • Procurement Strategy Action Plan • RBT Performance • Review of Use of Consultants 	

4.6 The Standards Committee

During the past year the Standards Committee considered and reviewed the following good governance related issues :

<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Arrangements for Assessment of Allegations • Local Determination of Allegations of misconduct against Councillors • Ethical Procurement Policy • Review of Complaints received against elected Members • Composition of the Standards Committee • Partnerships Governance • Terms of Reference • Members Register of Interests 	<p>Capacity and Capability :</p> <ul style="list-style-type: none"> • Standards Board for England Consultation Papers, Guidance, Bulletins and Annual Review • Local Government & Public Involvement in Health Act 2007 – Ethical Standards • Sixth Annual assembly of Standards Committees • Code of Conduct Training for Members • Code of Conduct DVD • Training and Development • Ethical Standards Self Assessment
--	---

<ul style="list-style-type: none"> • New Model Code of Conduct • Confidential Reporting Code 	<ul style="list-style-type: none"> Survey • arrangements for the committee to carry out local assessment of complaints against members
--	--

4.7 Internal audit

During 2007/08 Internal Audit reviewed all the Council's main financial systems : Council Tax; Business Rates; Creditors; Payroll; Benefits; Housing Rents and Debtors.

There were 3 issues arising from this work which were considered significant enough to be reported in more detail, and these are covered in paragraph 5.2.1 to 5.2.3 below.

4.8 External Audit (and other explicit review/assurance mechanisms)

Rotherham was one of only 37% of Councils which received the maximum rating of 4 stars in the **2007 Comprehensive Performance Assessment (CPA)**, and continued to be "improving well".

Within the Use of Resources category in the CPA, Rotherham continued to demonstrate the embeddedness of its processes, achieving the top score of 4, indicating that it was performing strongly.

The **Commission for Social Care Inspectorate (CSCI) Annual Performance Assessment Report 2007** gave Rotherham's Adult Social Services a performance rating of 2 Stars. This result maintained the performance rating achieved in 2006. An 'Excellence Plan' has been put in place to improve the areas of weakness identified in the report and progress on this is monitored quarterly.

KPMG's 2007 Data Quality Audit classified the Council's data quality arrangements as performing strongly which is the best rating. KPMG also provided an unqualified opinion for the Council's Best Value Performance Plan.

KPMG's 2007 Review of Local Area Agreements identified an established culture of partnership working that provided a good starting point for developing the LAA. It also recognised that strong leadership had helped to ensure that the commitment to partnership was maintained and enhanced. The learning points identified in the report have informed negotiations with partners during 2008.

KPMG's 2007 Waste Management Review concluded that a satisfactory approach to the partnership's pre procurement phase of residual waste management facilities has been taken. There were many areas of good practice identified. Learning points identified in the report primarily related to Business Case assumptions, the need for legal advice and partnership governance arrangements. These are being addressed.

KPMG's 2007 Review of Housing Management found that working relationships between the ALMO and the Council had improved, that strategies were aligned with a joined up approach between the ALMO, Council and LSP and that the Council's structure of its Neighbourhood directorate ensured responsibilities were defined and lines of reporting

identified. A number of learning points, relating to improving co-ordination, effective systems and monitoring arrangements have all been taken forward.

KPMG's 2007 Review on Addressing Health Inequalities concluded that the Rotherham Community faces significant challenges in reducing its levels of health inequality both within the Borough and against national benchmarks. The study found that short term progress was slow but that there was reason to believe that the Primary Care Trust (PCT) and Council were taking a strong lead in ensuring that the right infrastructure was in place to make longer term progress. The PCT and the Council are working on an Action Plan to improve outcomes with proposals to improve administration and governance arrangements; data integration and management of information; leadership and roles and responsibilities.

During 2007 KPMG were asked by the Council to review its **arrangements for showing best value in connection with the sale of land** to a developer. The study concluded that, whilst there was scope to improve formal risk management information, a measured approach has been adopted by the Council in the light of commercial sensitivities around the deal.

KPMG's 2007 follow up review of Internal Audit noted that there was full compliance with the 'Ethics for Internal Auditors' standard of the CIPFA Code of Practice for Internal Audit in Local Government.

KPMG's Report on Government Grant Claims and Returns concluded that the Council's administration arrangements for the preparation and submission of claims and returns was generally satisfactory and improving. It is planned to continue to strengthen the Council's arrangements.

4.9 Action Plan and Continuous Improvement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team, Cabinet, Audit Committee, Performance Scrutiny and Overview Committee, Standards Committee and Corporate Improvement Board, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on 2006/07 significant governance issues

The significant issues raised in the 2006/07 Annual Governance Statement have been addressed as follows:

5.1.1 Payroll

As one of the Council's 'fundamental' systems as defined by the Council's External Auditors, Internal Audit examine the payroll system on an annual basis. Their 2007/08 work has provided assurance that concerns raised in respect of the reconciliation of the payroll to general ledger and the clearance of suspense accounts, have now been addressed.

5.1.2 Rotherham 2010 Limited

During 2007/08 the company's governance arrangements, financial management and administration including its budgeting and budget monitoring, and its performance management arrangements have been improved with the help of a dedicated support team from the Council. In particular, this has helped the company to reduce a financial deficit brought forward into 2007/08. Further strengthening is being achieved by the company and, where relevant, with the support of the Council through Service Level Agreements.

5.1.3 Yorkshire Purchasing Organisation (YPO)

During 2007 and 2008 Wakefield MDC, lead authority for the YPO, has implemented improvements to the YPO's financial management and internal control arrangements which are having a positive impact on the financial performance of YPO. Wakefield MDC has provided the Council with comprehensive documentation on the governance arrangements of the YPO.

5.1.4 South Yorkshire Trading Standards Unit

This matter is still being dealt with by the Serious Fraud Office. The Council's accounts include a provision for potential losses resulting from the irregularities.

5.1.5 Asset Information

Managers are continuing to implement new procedures to improve the accuracy of asset management records and are continuing to develop a corporate asset data management system for council assets

5.1.6 Criminal Records Bureau (CRB) Checks

This issue has been revisited by Internal Audit as part of its 2007/08 review of HR and Payroll procedures. Concerns regarding the effectiveness of processes remain. Based upon Internal Audit sampling there is a small but significant number of employees who do not appear to have an up-to-date CRB verification.

5.1.7 Local Government Ombudsman complaints

LGO performance for 2007/08 is provisionally forecasted to be 28.5 days. This is a substantial improvement on the previous years and is marginally outside of the LGO target that is set for local authorities of 28 days.

5.1.8 Footpaths inspection

A feasibility study is currently being carried out by 2010 Rotherham Ltd and the Council. The intention is to agree a robust inspection process by which 2010 will buy into a service provided by the Council.

5.2 Significant governance issues arising from the 2007/08 review of the effectiveness of the governance framework.

5.2.1 Payroll

An Internal Audit review of Human Resources and Payroll procedures identified the authorisation of payroll transactions as a significant issue. At the time of the audit there was weak control of data submitted to HR & Payroll for processing. This principally concerned employees still on weekly pay. Recommendations have been agreed with HR to mitigate this risk pending the transfer of these pay groups on the new payroll systems.

5.2.2 Criminal Records Bureau (CRB) Checks

An Internal Audit review of Human Resources and Payroll procedures identified a small but significant number of employees who were found to not have an up to date CRB check in place. Work is continuing with HR to address this issue.

5.2.3 I.T. Business Continuity arrangements

An Internal Audit review of the Council's key IT systems highlighted some concerns regarding business continuity arrangements. The Transformation and Strategic Partnerships Team are leading on the development of a robust Corporate Business Continuity Plan in conjunction with the Emergency Planning Team.

5.2.4 Health and Safety

An accident occurred resulting in the death of an employee of Streetpride. The Council has conducted its own review of working practices and Health and Safety arrangements. The Health and Safety Executive has investigated but has yet to issue a report.

5.2.5 Floods

In the Summer of 2007 the Council and some of the Borough's citizens and their property were seriously affected by the severe weather. The Council's Emergency Planning and Business Continuity response was proactive and extensive. A range of mitigation measures have been implemented. Following a detailed review of arrangements, Flood Insurance cover has been purchased for all Council properties. Structural improvements to reservoirs are ongoing.

5.2.6 Customer Perception / Satisfaction

One of the key challenges this year is to communicate more effectively to ensure that we understand local needs and aspirations even better, and that local people are aware of our commitments to them. In order to achieve this, the Council will assess existing consultation and research arrangements to strengthen the Council's understanding of customer perception / satisfaction.

6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Signed
Councillor Roger Stone, Leader, Rotherham Metropolitan Borough Council



Signed
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 Authority and Group statement of accounts and related notes of Rotherham Metropolitan Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group statement of accounts comprises the Explanatory Foreword, Authority Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. The statement of accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the statement of accounts.

Our responsibility is to audit the statement of accounts 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 Authority and Group statement of accounts of Rotherham Metropolitan Borough Council presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we 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 Authority and Group statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group statement of accounts and related notes, 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 Authority and Group statement of accounts and related notes 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 Authority and Group statement of accounts and related notes.

Opinion

In our opinion:

The Authority statement of accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and

The Group statement of accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and the Group as at 31 March 2008 and its income and expenditure for the year then ended.



KPMG LLP
Chartered Accountants
Leeds
24 September 2008

The maintenance and integrity of the Rotherham Metropolitan Borough Council website 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. This term covers both financial assets and liabilities and includes, among others, trade receivables and payables, borrowings, financial guarantees, bank deposits and loans receivable.
Financial Instruments Adjustment Account	This reserve has been created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.
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	The definition of a related party is dependent upon the situation through key indicators of related parties are if: <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.
Revaluation Reserve	This account records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

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.