Rutland
County Council

Statement of Accounts 2011/12

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Part 1

Accompanying Information

Explanatory Foreword

1. INTRODUCTION

This foreword provides an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2012

It gives a brief summary of the overall financial position of the Council, sets out how the Council's budget is spent and financed and explains the purpose of the financial statements contained within the Council's accounts.

This is the second year that the accounts have been prepared in accordance with the International Financial Reporting standards (IFRS), which mirrors the format used by businesses when they publish their accounts.

2. THE STATEMENTS

Detailed below is an explanation of the Statements within these accounts and the relationship between them.

The Statement of Responsibilities for the Statement of Accounts

This identifies the officer that is responsible for the proper administration of the Council's financial affairs.

The Accounting Statements:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'Unusable Reserves'. The 'Surplus/(deficit) on provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The 'Net increase/(decrease) before transfers to or from Earmarked Reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ' Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The Supplementary Financial Statement:

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to establish and maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

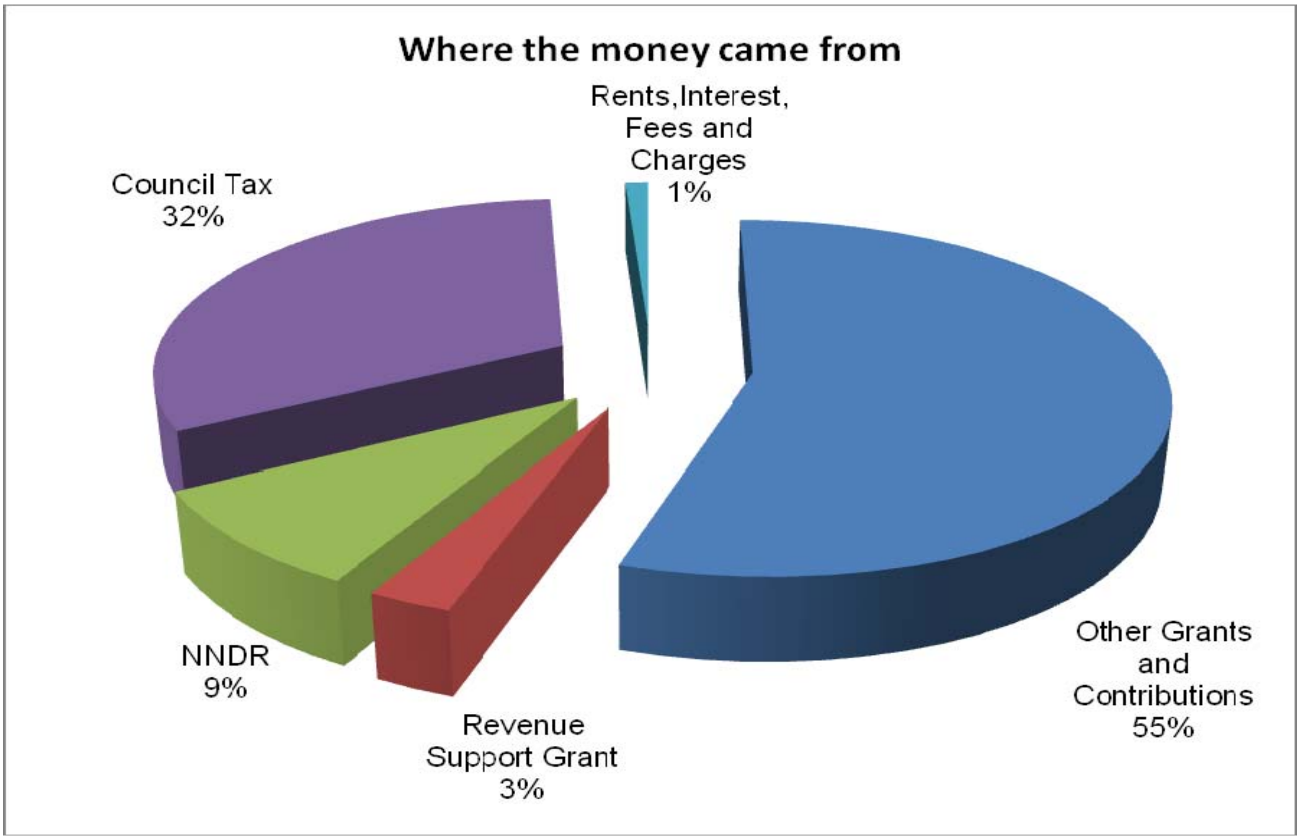
3. REVIEW OF 2011/12

In February 2011 the Council set out a medium-term financial plan (MTFP) that took into account assumptions on levels of council tax and government support, inflationary and demand led spending pressures and the impact of its capital programme over a 5 year period. The MTFP was set against the background of an economic recession with interest rates at historically low levels.

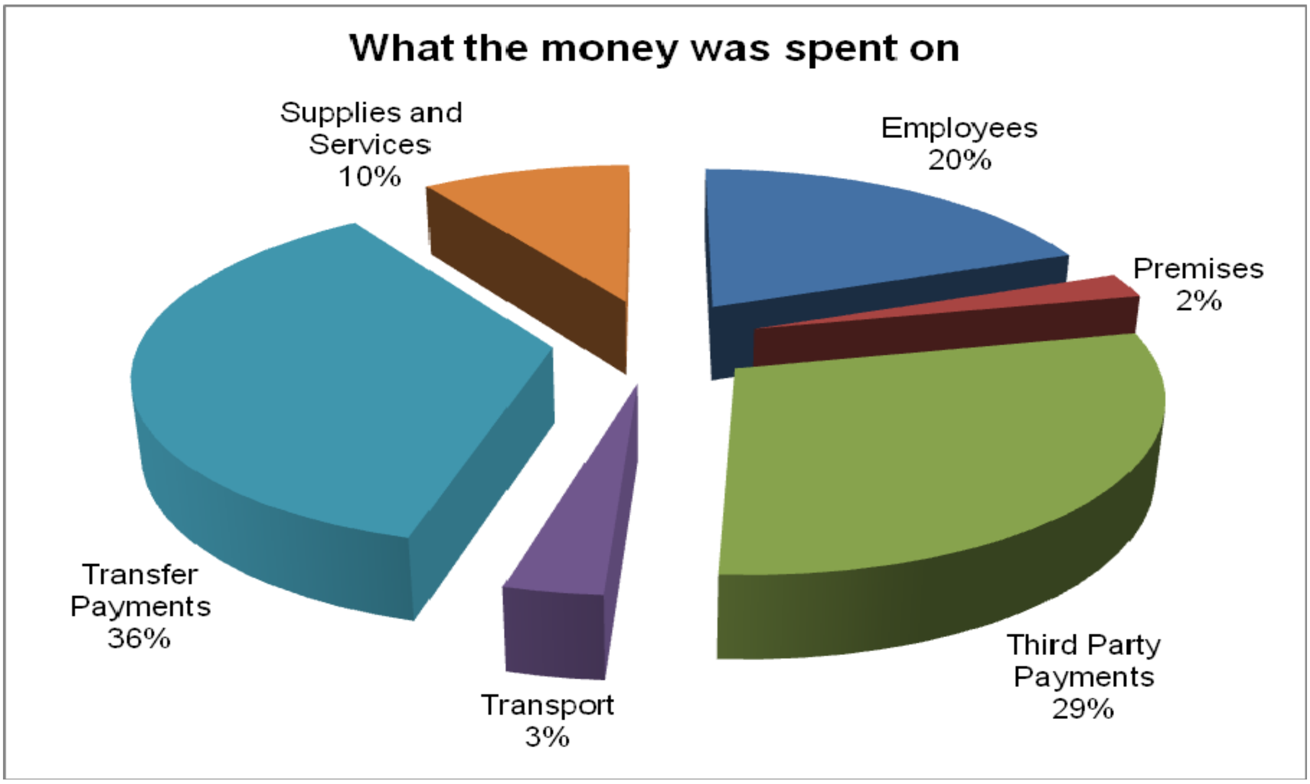
Revenue

The following charts outline where the Council's revenue money came from, how it was spent and on which services during 2011/12.

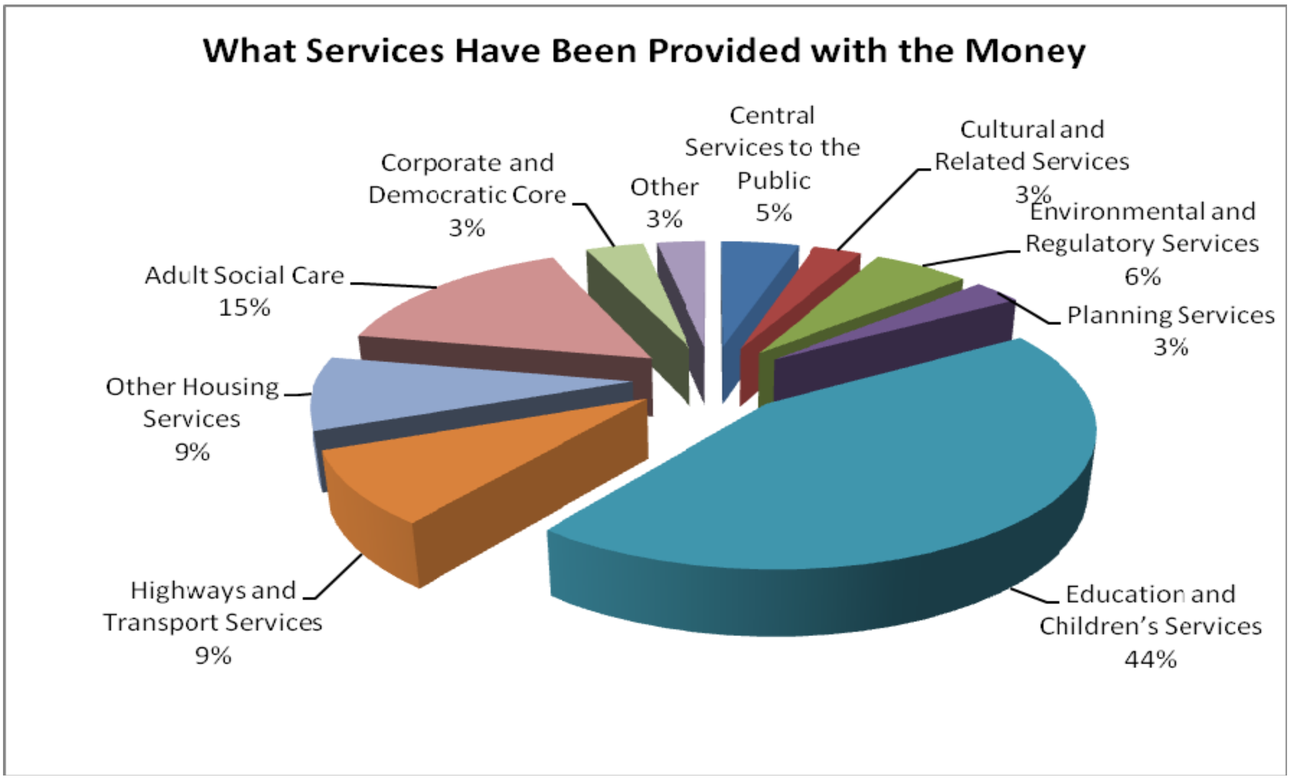
Where the money came from



What the money was spent on



What services have been provided with the money



General Fund Revenue Account

The following table summarises the position for the General Fund for 2011/12.

	Revised Budget £000	Actual £000	Variance £000
Net cost of Services	29,799	28,553	(1,246)
Other Operating costs	2,086	2,016	(70)
Net Operating Expenditure	31,885	30,569	(1,316)
Financing	(32,527)	(33,093)	(566)
Surplus for year	(642)	(2,524)	(1,882)

Capital

Capital Expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £8.9m, compared to the approved project budget of £12.8m (i.e. 70% of the approved programme was actually spent) with the balance being carried forward for completion in 2012/13.

Of the total expenditure, £8.8m was funded externally from grants. The remainder was financed from capital receipts.

	Revised Estimate £000	**Actual £000**	**Variance £000**
Expenditure			
School related schemes	9,447	6,798	(2,649)
Highways schemes	2,130	1,498	(632)
Other schemes	1,202	617	(585)
Total Capital Expenditure	**12,779**	**8,913**	**(3,866)**

4. MATERIAL TRANSACTIONS

Pensions

Employees of the Council may be members of one of two separate pension schemes:

- The Local Government Pension Scheme, administered by Leicestershire County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council.

The Council's net pension liability for the Local Government Pension Scheme has increased from £16.7 million to £21.1 million in the year to 31st March 2012. There are two main elements that create this liability, the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has reduced by £1.9 million during the year, at the same time liabilities have increased by £2.5 million.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. The pension liability shown in the Balance Sheet therefore has no direct impact on the Council's revenue reserves.

5. IMPACT OF CURRENT ECONOMIC CLIMATE AND FUTURE OUTLOOK

The Comprehensive Spending Review announced in Autumn 2010 set out unprecedented cuts in public sector spending, resulting in Local Authorities receiving an overall funding reduction of 28% over the 4 year spending period. These cuts were front loaded, with the greatest reduction occurring in 2011/12. The Council put extensive plans in place to deal with the funding reductions and through prudent spending in the latter part of 2011/12, delivered savings in excess of the level originally set out in the budget. This has enabled reserves to be increased in order to be used in future years to mitigate the impact of further reductions in government support.

The Council's Medium Term Financial Plan (MTFP) and budget 2012/13 were approved in February 2012 by the Full Council. The key message in relation to the MTFP was that the national economic position remains extremely challenging. The Autumn statement from the Chancellor, released in October 2011, indicated that there will be a continued reduction in public sector funding beyond the Spending Review period i.e. after 2014/15. Therefore, there remains a great deal of uncertainty in respect of Local Government Funding. Alongside this, there are significant changes planned by Central Government to the funding mechanism for Local Authorities from 1 April 2013, including the retention of business rates and the localisation of council tax support.

The Council remains in a strong position to deal with the likely further reduction in central government funding. The budget setting and monitoring approach has been developed to cope with the changes and general reserves have been increased to support the Council during the predicted period of financial turbulence. Review of the MTFP is a continual process and it will continue to be updated as we progress through 2012/13.

6. FURTHER INFORMATION

Further information about these accounts is available from:

Debbie Mogg Strategic Director for Resources Rutland County Council Oakham Rutland LE15 6HP dmogg@rutland.gov.uk	Sharon Dring Head of Business Support Rutland County Council Oakham Rutland LE15 6HP sdring@rutland.gov.uk

Information on the Councils services and activities can also be located on our website: **www.rutland.gov.uk**

This Statement of Accounts was authorised for issue on 29 June 2012 by Mrs D Mogg, Strategic Director for Resources. This is the date up to which events after the Balance Sheet date have been considered.

ANNUAL GOVERNANCE STATEMENT 2011/12

1. SCOPE OF RESPONSIBILITY

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

In discharging the overall responsibility, Rutland County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

The elements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* are embedded throughout the Council's constitution and other strategies. This statement explains how Rutland County Council has complied with the framework and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 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 Rutland County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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. 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 Rutland County Council's 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 Rutland County Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE ENVIRONMENT

A clear statement of the Council's purpose and vision is set out in its Sustainable Community Strategy, the most recent revision of which was approved in July 2010. The Strategy was developed with Rutland Together, the local strategic partnership, and involved consultation with key stakeholders and the wider community.

The Council's strategic aims, which are reviewed and refreshed by Cabinet and Council generally on an annual basis, provide a clear set of priorities against which the Council can allocate resources and are supported by clear accountability for delivery. (A revised set of strategic aims and objectives was approved by the Council in April 2012.) The financial implications of implementing agreed priorities are incorporated in the Medium Term Financial Plan approved in February 2011, which is kept under review and was updated in February 2012. Appropriate provision has been included in the budget for 2012/13.

The Council has a performance management framework through which quality of service and use of resources is measured. Financial and non-financial performance is monitored by departmental management teams and Strategic Management Team on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis. Progress against the strategic aims is measured in milestones and this is included in quarterly monitoring reports. The performance management framework flows through the authority, down to an individual employee level. Each employee has an annual performance appraisal, part of this process being to identify development needs.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in May 2011. The Constitution defines the roles and responsibilities of the Council, Cabinet and Scrutiny Panels and provides for extensive delegation to officers provided these are in accordance with Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

The behaviour of elected Members is regulated through a Code of Conduct, which all Members sign up to upon election to the Council. This is a national code, approved by Parliament, and was revised in 2007. The Council adopted the revised code and training is provided to Members periodically to ensure that they are fully aware of their responsibilities. (The national Code of Conduct will cease to apply at the end of June 2012 and work is in progress to enable the Council to adopt a new code of conduct.) Employees are also subject to a Code of Conduct and a number of specific policies (such as Harassment, Discrimination and Bullying) set out in the Corporate Induction Portfolio. All new members of staff receive one to one induction training with their line manager and attend an induction training session.

The Audit and Risk Committee undertakes the core functions of an audit committee, in accordance with CIPFA's *Audit Committees – Practical Guidance for Local Authorities* and this is set out in the committee's terms of reference, which include the authority to act as those charged with governance on behalf of the Council.

The comprehensive restructuring of the Council undertaken during 2010/11 has become embedded during 2011/12. The Strategic Management Team comprises the Chief Executive (Head of Paid Service), the Strategic Director for Services for People and Deputy Chief Executive, the Strategic Director for Places, the Strategic Director for Resources and two Assistant Directors for Services for People. Across the three directorates there are a further 11 posts at Head of Service level, the holders of which, together with the Strategic Management Team, make up the Leadership Team of the authority.

The Strategic Director for Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. The Head of Corporate Governance is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision making body must be considered by the Strategic Director for Resources, the Solicitor to the Council and the Head of Corporate Governance before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

The CIPFA Statement on the Role of The Chief Financial Officer in Local Government sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Strategic Director for Resources. The Strategic Director is a member the Council's Strategic Management Team and is actively involved in the key business decisions of the Council. The Strategic Director oversees the development and work of the financial management function at the Council and is the Council's proper officer for matters of financial administration. The post holder is professionally qualified as a CIPFA Accountant with suitable experience gained from a range of organisations and through previous roles held within the Council.

The Council has arrangements in place for receiving allegations of fraud or misconduct, through its whistle-blowing policy. All members of staff are made aware of this policy through the induction programme and it is publicised through the staff bulletin and intranet. The Council recognises the importance of customer complaints and welcomes complaints as a valuable form of feedback about its services. There is a formal complaints procedure and the Council is committed to using the information it receives to help drive forward improvements.

Risk Management is embedded in the Council through the Risk Management Strategy. The Council maintains a Strategic Risk Register, linking risks to strategic aims and assigning ownership to each risk and the Deputy Leader is the lead member for risk management. The Strategic Management Team is responsible for maintaining an up-to-date register of strategic risks and monitoring the actions taken to mitigate these. Risk Management is included in the quarterly performance monitoring arrangements.

The Council has established channels of communication with different sections of the community through groups such as the Youth Council and business community representatives. The Communications Officer has fostered a good working relationship with the local press and works closely with them to communicate with the community.

The Council uses a variety of methods to provide its services, and is part of many successful partnerships including a pooled budget with the PCT for Adult Social Care service and the Children's Trust. Along with other Welland Authorities, the Council has a shared Internal Audit Service and Joint Procurement Unit. Further shared services arrangements have been implemented, covering public protection services, legal services and benefit fraud investigations. The Council works in partnership with other local authorities and public agencies through the Leicester, Leicestershire and Rutland Local Resilience Forum to prepare for, and respond to, civil emergencies.

4. REVIEW OF EFFECTIVENESS

Rutland County 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 its effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

The Council endorsed its refreshed Strategic Aims in August 2009 and has reviewed them during 2011/12, culminating in the adoption of revised Aims in April 2012.

The Audit and Risk Committee has received and formally debated the Annual Audit and Inspection Letter and External Audit Annual Plan.

Cabinet takes the lead role in improving the performance management framework and maintaining comprehensive quarterly reporting that includes financial performance, progress against non-financial targets and milestones, and risk management.

The Audit and Risk Committee reviews the Risk Management Strategy and Strategic Risk Register twice each year and fulfils the role of an Audit Committee in accordance with CIPFA guidance.

During 2011/12 the Scrutiny Panels have considered a number of issues of particular concern, such as child and vulnerable adult protection, the post 16 education capital project, on- and off-street car parking, housing and homelessness strategies, pupil places planning, services for older persons, the work of the Shadow Health and Wellbeing Board and the transition of public health functions to local authorities which is due to take effect in April 2013, to satisfy themselves that there are robust governance arrangements in place.

Following the election of 13 new members (50 per cent of the membership) in May 2011, 11 of whom had not served previously, the post-election induction training for members was extensive. In addition to mandatory training on the Code of Conduct, development control, licensing and appeals, detailed development work was undertaken with members on the role and effectiveness of the Scrutiny function.

Cabinet has reviewed and approved the corporate capital strategy and Asset Management Plan. (The capital strategy is under review in the context of developing the Community Infrastructure Levy.) Capital monitoring arrangements continue to be improved to secure control over capital expenditure.

The responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. This responsibility is delegated to the Strategic Director for Resources. The Internal Audit Service operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources. Members receive an annual report of internal audit activity and approve the audit plan for the forthcoming year.

For the year 2011/12 the Head of Internal Audit has concluded that the Council's overall internal control arrangements provide a Sound Level of Assurance. An internal audit report on the payroll function is in progress and is expected to make recommendations on improving segregation of the duties of relevant officers, expenses and establishment information.

5. SIGNIFICANT GOVERNANCE ISSUES

The Council is satisfied that the governance framework provides a reasonable assurance of effectiveness. There are no significant governance issues to report. Any action plans contained in audit reports will be implemented and monitored during 2012/13.

Signed: ______________________	Signed: ______________________
Helen Briggs	Roger Begy
Chief Executive	Leader of the Council
Date ______________________	Date ______________________

Part 2

Statement of Accounts

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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Strategic Director for Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).

In preparing this Statement of Accounts, the Strategic Director for Resources has:

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

The Strategic Director for Resources has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I certify that the Statement of Accounts on pages 1 to 71 presents a true and fair view of the financial position of the Council at 31st March 2012 and its income and expenditure for the year ended 31st March 2012.

_______________________________ 29th June 2012

Mrs D Mogg
Strategic Director for Resources

Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2010	2,258	3,400	120	822	9,386	**15,986**	14,893	**30,879**
Movement in 2010/11								
Surplus/(deficit) on provision of services	(8,102)	0	79	0	0	**(8,023)**	0	**(8,023)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	31,405	**31,405**
Total Comprehensive Income and Expenditure	(8,102)	0	79	0	0	**(8,023)**	31,405	**23,382**
Adjustments								
Adjustments between accounting basis and funding basis under regulations (Note 7)	10,695	0	0	(479)	(121)	**10,095**	(8,868)	**1,227**
Net increase/(decrease) before transfers to or from Earmarked Reserves	2,593	0	79	(479)	(121)	**2,072**	22,537	**24,609**
Transfers to or from Earmarked Reserves (Note 8)	(683)	882	(199)	0	0	**0**	0	**0**
Increase/(decrease) in 2010/11	1,910	882	(120)	(479)	(99)	**2,072**	22,537	**24,609**
Balance at 31 March 2011	4,168	4,282	0	343	9,265	**18,058**	37,430	**55,488**

Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2011	4,168	4,282	343	9,265	**18,058**	37,430	**55,488**
Movement in 2011/12							
Surplus/(deficit) on provision of services	(426)	0	0	0	**(426)**	0	**(426)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(5,241)	**(5,241)**
Total Comprehensive Income and Expenditure	(426)	0	0	0	**(426)**	(5,241)	**(5,667)**
Adjustments							
Adjustments between accounting basis and funding basis under regulations (Note 7)	2,880	0	266	(4,700)	**(1,554)**	449	**(1,105)**
Net increase/(decrease) before transfers to or from Earmarked Reserves	2,454	0	266	(4,700)	**(1,980)**	(4,792)	**(6,772)**
Transfers to or from Earmarked Reserves (Note 8)	70	(70)	0	0	**0**	0	**0**
Other Movements	0	(414)	0	0	**(414)**	(118)	**(532)**
Increase/(decrease) in 2011/12	2,524	(484)	266	(4,700)	**(2,394)**	(4,910)	**(7,304)**
Balance at 31 March 2012	6,692	3,798	609	4,565	**15,664**	32,520	**48,184**

Comprehensive Income & Expenditure Statement

2010/11				2011/12		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,696	(2,419)	277	Central services to the public	3,217	(2,425)	792
2,178	(569)	1,609	Cultural and related service	1,975	(478)	1,497
4,170	(543)	3,627	Environmental and Regulatory Services	3,147	(344)	2,803
2,292	(813)	1,479	Planning Services	1,963	(557)	1,406
39,159	(43,116)	(3,957)	Education and children’s services	25,937	(18,323)	7,614
6,257	(648)	5,609	Highways and transport services	5,762	(587)	5,175
124	(203)	(79)	Local authority housing (HRA)	0	0	0
7,043	(5,083)	1,960	Other housing services	5,906	(5,229)	677
10,550	(3,446)	7,104	Adult social care	10,487	(2,339)	8,148
2,469	(485)	1,984	Corporate and democratic core	2,352	(549)	1,803
581	(17)	564	Non distributed costs	166	(2,125)	(1,959)
0	(7,136)	(7,136)	Exceptional items relating to Pension scheme	0	0	0
77,519	**(64,478)**	**13,041**	**Cost of Services**	**60,912**	**(32,956)**	**27,956**
26,590	0	26,590	Other operating expenditure (note 9)	8,481	0	8,481
1,824	(155)	1,669	Financing & investment income & expenditure (note 10)	1,213	(208)	1,005
0	(33,277)	(33,277)	Taxation and non-specific grant income (note 11)	0	(37,016)	(37,016)
105,933	**(97,910)**	**8,023**	**(Surplus) or deficit on provision of services**	**70,606**	**(70,180)**	**426**
		(20,552)	Surplus on revaluation of Property, Plant & Equipment assets			(704)
		(10,853)	Actuarial (gains)/losses on pension assets/liabilities			5,945
		(23,382)	**Total comprehensive income and expenditure**			**5,667**

Balance Sheet

31 March 2011 £000		Notes	31 March 2012 £000
77,802	Property, Plant and Equipment	12	74,632
2,114	Investment Property	14	2,658
0	Intangible Assets	15	0
124	Long term investments	16	57
1,247	Long term debtors	19	974
81,287	**Long term assets**		78,321
0	Assets Held for Sale	21	1,000
6	Inventories	17	75
5,604	Short term Debtors	19	4,111
22,825	Cash and Cash Equivalents	20	17,519
28,435	**Current assets**		22,705
(4,991)	Cash and Cash Equivalents	20	(2,682)
(10,689)	Short term creditors	22	(7,432)
(449)	Provisions	23	(195)
(16,129)	**Current Liabilities**		(10,309)
(21,386)	Long term Borrowing	16	(21,386)
(16,719)	Other Long Term Liabilities	25	(21,147)
(38,105)	**Long Term Liabilities**		(42,533)
55,488	**Net Assets**		**48,184**
(18,058)	Usable Reserves	24	(15,664)
(37,430)	Unusable Reserves	25	(32,520)
(55,488)	**Total Reserves**		**(48,184)**

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

Signed: 25 September 2012

Debbie Mogg
Strategic Director for Resources

Cash Flow Statement

2010/11 £000			2011/12 £000
8,023	Net (surplus) or deficit on the provision of services		426
(48,590)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(5,546)
35,510	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,785
880	Interest Paid/Received		839
(4,177)	Net cash flows from Operating Activities	(Note 26)	(2,496)
6,596	Investing Activities	(Note 27)	5,423
(2)	Financing Activities	(Note 28)	70
2,417	**Net (increase) or decrease in cash and cash equivalents**		2,997
(20,251)	Cash and cash equivalents at the beginning of the reporting period	(Note 20)	(17,834)
(17,834)	**Cash and cash equivalents at the end of the reporting period**	(Note 20)	(14,837)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1: Accounting Policies

1.0 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by International Financial Reporting Standards (IFRS).

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

1.1 ACCRUALS OF INCOME AND EXPENDITURE

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

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

1.2 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.3 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the authority's financial performance.

1.4 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

1.5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 RETIREMENT BENEFITS

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non-distributed Costs line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post employment benefits

Employees of the authority may be members of one of two separate pension schemes:

- the Local Government Pension Scheme, administered by Leicestershire County Council.
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- the liabilities of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 4.7% (based on the indicative rate of return on the iBoxx Sterling Corporates AA Over 15 years index).
- the assets of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value in accordance with the valuation made by Barry Mckay FFA, on behalf of Hymans Robertson LLP:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

The change in the net pensions liability is analysed into seven components:

i. current service cost: the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
ii. past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
iii. interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
iv. expected return on assets: the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
v. gains or losses on settlements and curtailments: the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
vi. actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Pensions Reserve.

vii. contributions paid to the Leicestershire County Council pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for use. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period: the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period: the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the Notes to the Accounts of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the General Fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market process – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred; these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under contract will not be made (fixed or determinable payments) or fair value falls below cost the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.9 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.11 INVENTORIES AND LONG-TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.12 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts reserve.

1.13 LEASES

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

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

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

The authority as lessee

Finance leases:
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease or the present value of the minimum lease payments, which ever is the lower. The asset

recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment; applied to write down the lease liability, and
- a finance charge, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this shorter than the asset's estimated useful life where ownership of the asset does not transfer to the authority at the end of the lease period.

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution to the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases:
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The authority as lessor

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

Lease rentals receivable are apportioned between:
- a charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received), and
- finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases:
Where the authority grants an operating lease over a property or an item of plant or equipment the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.14 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core: costs relating to the authority's status as a multi-functional, democratic organisation.
- Non-distributed Costs: the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.15 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Council has determined a de minimis limit of £10,000 as the level of expenditure necessary for an item to be classified as capital and therefore recognised as Property, Plant and Equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The authority does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally when, until conditions are satisfied the gain is held in the Donated assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

Where non-property assets have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

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

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

Impairment

Assets are assessed at year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for by:

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

Where an impairment loss is reversed subsequently the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets under Construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings: straight line allocation over the life of the property as estimated by the valuer,
- vehicles, plant, furniture and equipment: a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified valuer,
- infrastructure: straight line allocation over 30 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

1.16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another waste disposal authority are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition allowances are measured at the lower of cost and net realisable value.

As landfill is used a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However where some of the obligation will be met by paying a cash penalty to DEFRA that part of its liability is measured at the cost of the penalty.

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance sheet but disclosed in a note to the accounts where it is probable that there will be an outflow of economic benefits or service potential.

Contingent assets

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

Contingent assets are not recognised in the Balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.18 RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits, and do not represent usable resources for the authority. These reserves are explained in the relevant policies.

1.19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of council tax.

1.20 VALUE ADDED TAX (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.21 CARBON REDUCTION COMMITMENT SCHEME

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is currently in its introductory phase which will last until 31 March 2014. If an authority is required to participate in this scheme it will have to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy used. At it is emitted (i.e.

as energy used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

The CRC scheme does not apply to Rutland County Council as its energy consumption is well below the threshold whereby authorities are required to participate. The authority's consumption will continue to be monitored so that the appropriate action can be taken should it exceed the threshold.

Note 2: Accounting standards that have been issued but not yet adopted

Amendments to the Accounting Standard, IFRS 7 Financial Instruments: '*Disclosures (transfers of financial assets)'* have been issued but have not been adopted for the financial year 2011/12.

These were issued in October 2010 and are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position

As a local authority there are no relevant circumstances where the accounting standard needs to be applied and therefore there will be no material impact on the authority's financial statements as a result of not adopting the standard in 2011/12.

The amendments will be adopted from 1 April 2012 and the accounting policies will be changed if required, to reflect the changes.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Critical judgements made in the Statement of Accounts relate to the high degree of uncertainty about future levels of funding for local government. However the authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The authority has also had to make detailed assessments and judgements regarding the control exercised over schools run in a wide variety of different ways to determine whether the relevant land and buildings should be treated as on or off balance sheet. This has resulted in the following treatments:

Type of school	Factors	Treatment
Foundation	Owned and managed by Governors	Off balance sheet
Voluntary Aided	Owned and managed by charity, Council provides support services	Buildings off balance sheet, playing fields land on balance sheet where applicable
Voluntary Controlled	Owned by charity, run by Council	On balance sheet
Community	Owned and managed by Council	On balance sheet
Academy	Independent of local authority	Off balance sheet

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2012 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions could be measured. However the assumptions interact in complex ways. For 2011/12 the authority's actuaries advised that the net pension liability had increased by £4.4 million as a result of estimates being corrected as a result of experience and the updating of assumptions.
Arrears	At 31 March 2012 the authority had a balance of debtors of £4.0 million. A review of significant balances suggested that an impairment of doubtful debts of £0.150 million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require an additional £150,000 to be set aside.

Note 5: Material items of Income and Expense

There are no material items of income and expense included within the Comprehensive Income and Expenditure Statement that require disclosure in the Statement of Accounts.

Note 6: Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director for Resources on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events that required any significant adjustments to the accounts for 2011/12. However it should be noted that at its meeting on 19 March 2012 (Exempt report 55/2012) a decision was taken to approve prudential borrowing of up to £2.02m to finance the Council's contribution to the Digital Rutland project (i.e. a project to procure and deploy a Next Generation Access superfast broadband infrastructure across the County). When preparing the Medium Term Financial Plan (5 year revenue budget forecast) in February 2012 it was anticipated that this borrowing might be required, and therefore the costs of borrowing have already been built into the budgets.

Note 7: Adjustments between accounting basis and funding basis under regulations

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

2011/12	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	9,287					(10,392)
Capital Grants and Contributions Applied	(8,745)					8,745
Revenue expenditure funded from capital under statute	850					(850)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(1,177)					1,177
Capital expenditure charged against the General Fund and Housing Revenue Account	(34)					34
Adjustments primarily involving the Capital Grants Account:						
Capital grants and contributions unapplied credited to the CIES	(1,528)				1,528	
Application of grants to capital financing transferred to the Capital Adjustment Account	6,228				(6,228)	
Adjustments primarily involving the Capital Receipts Account:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	(295)		295			
Use of the Capital Receipts Reserve to finance new capital expenditure			(29)			29
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,517)					1,517
Employer's pension contributions and direct payments to pensioners payable in the year						
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	70					(70)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(259)					259
Total Adjustments	2,880	0	266	0	(4,700)	449

2010/11 comparative figures	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	2,591					(2,591)
Amortization of Intangible Assets	9					(9)
Capital Grants and Contributions Applied	(14,003)					14,003
Revenue expenditure funded from capital under statute	2,121					(2,121)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	26,064					(26,064)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(991)					991
Capital expenditure charged against the General Fund and Housing Revenue Account	(2)					2
Adjustments primarily involving the Capital Grants Account:						
Capital grants and contributions unapplied credited to the CIES	(13,570)				13,570	
Application of grants to capital financing transferred to the Capital Adjustment Account	13,691				(13,691)	
Adjustments primarily involving the Capital Receipts Account:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	(145)		145			
Use of the Capital Receipts Reserve to finance new capital expenditure	624		(624)			

2010/11 comparative figures	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(179)					179
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,781)					3,781
Employer's pension contributions and direct payments to pensioners payable in the year	(2,285)					2,285
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	549					(549)
Total Adjustments	10,695	0	(479)	0	(121)	(10,095)

Note 8: Transfer to/from Earmarked Reserves

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Balances held by schools under a scheme of delegation	1,795		726	2,521	(1,224)	434	1,731
Invest to Save	1,082	(717)		365	(26)	118	457
Planning Delivery Grant	407	(196)		211	(97)		114
Internal Audit	20			20		14	34
Local Strategic Partnerships			377	377	(44)	76	409
Adult Demographic Change						172	172
Training						45	45
Civic						6	6
Winter Maintenance						19	19
Catmose Extension	96			96	(96)		0
Budget Carry Forward			692	692	(692)	811	811
Total	3,400	(913)	1,795	4,282	(2,179)	1,695	3,798

Note 9: Other Operating Expenditure

2010/11 £000		**2011/12 £000**
522	Parish council precepts	550
59	External levies	66
26,009	(Surplus)/Deficit on disposal of Property, Plant & Equipment	7,865
26,590	**Total**	**8,481**

Note 10: Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
1,033	Interest payable and similar charges	1,034
781	Pensions interest costs and expected return on assets	178
8	Impairment of investment	0
(153)	Interest receivable and similar income	(207)
1,669	**Total**	**1,005**

Note 11: Taxation and other Non-specific Grant Incomes

2010/11		2011/12
£000		**£000**
21,380	Council tax income	21,434
6,738	Non-domestic rates	6,160
5,159	Non-ring fenced Government grants	
	Revenue Support Grant	1,904
	Personal Search Grant	34
	Early Intervention Grant	1,810
	Council Tax Freeze Grant	521
	Local Services Support Grant	288
	New Homes Bonus	131
	PCT Grant	358
	Troubled Families	20
	Capital Grants and Contributions	4,356
33,277	**Total**	**37,016**

Note 12: Property, Plant and Equipment

Movement in 2011/12	Other land & buildings	Vehicles, plant & equipment	Infrastructure	Assets under construction	Surplus assets	TOTAL
Cost or Valuation						
At 1st April 2011	51,087	2,229	31,243	5,818	3,943	94,320
Additions	35	243	1,614	6,170		8,062
Revaluation changes recognized in Revaluation Reserve	3,183					3,183
Less non-enhancing expenditure	(3,591)					(3,591)
De-recognition - other	(7,865)					(7,865)
Reclassification from Investment Properties	694					694
Reclassification to Assets Held For Sale	(975)				(2,968)	(3,943)
Reclassification from Assets Under Construction	9,426			(9,426)		0
At 31 March 2012	**51,994**	**2,472**	**32,857**	**2,562**	**975**	**90,860**
Accumulated depreciation & impairment						
At 1st April 2011	(9,958)	(1,137)	(2,980)	0	(2,443)	(16,518)
Depreciation charge in year	(511)	(331)	(843)			(1,685)
Impairment losses/reversals recognized in Revaluation Reserve	(1,082)					(1,082)
Impairment losses/reversals recognized in the Surplus/Deficit on the Provision of Services	(445)					(445)
De-recognition - other	1,259					1,259
Reclassification from Investment Properties	(200)					(200)
Reclassification to Assets Held for Sale					2,443	2,443
At 31 March 2012	**(10,937)**	**(1,468)**	**(3,823)**	**0**	**0**	**(16,228)**
Net book value						
At 31 March 2012	**41,057**	**1,004**	**29,034**	**2,562**	**975**	**74,632**
At 1st April 2011	41,129	1,092	28,263	5,818	1,500	77,802

Comparative movements in 2010/11	Council Dwellings	Other land & buildings	Vehicles, plant & equipment	Infrastructure	Assets under construction	Surplus assets	**TOTAL**
Cost or Valuation							
At 1st April 2010	774	29,613	2,077	30,382	17,011	2,893	82,750
Additions		1,738	152	861	18,320		21,071
Revaluation changes recognized in Revaluation Reserve	411	19,736				1,050	21,197
De-recognition - disposals	(82)						(82)
De-recognition - other		(29,513)					(29,513)
Reclassification to Investment Properties	(1,103)						(1,103)
Reclassification from Assets Under Construction		29,513			(29,513)		0
At 31 March 2011	**0**	**51,087**	**2,229**	**31,243**	**5,818**	**3,943**	**94,320**
Accumulated depreciation & impairment							
At 1st April 2010	(275)	(7,898)	(819)	(2,175)	0	(2,443)	(13,610)
Depreciation charge in year	(3)	(566)	(318)	(805)			(1,692)
Impairment losses/reversals recognized in Revaluation Reserve	(5)	(835)					(840)
Impairment losses/reversals recognized in the Surplus/Deficit on the Provision of Services	3	(659)					(656)
De-recognition - disposals	(63)						(63)
Reclassification to Investment Properties	343						343
At 31 March 2011	**0**	**(9,958)**	**(1,137)**	**(2,980)**	**0**	**(2,443)**	**(16,518)**
Net book value							
At 31 March 2011	**0**	**41,129**	**1,092**	**28,263**	**5,818**	**1,500**	**77,802**
At 1st April 2010	499	21,715	1,258	28,207	17,011	450	69,140

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other land and buildings – 10 to 50 years
- Vehicles, Plant, Furniture and Equipment – up to 10 years
- Infrastructure – up to 30 years

Capital Commitments

At 31 March 2012 the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £3.4 million in 2012/13. Similar commitments at 31 March 2011 were £5 million.

The major commitments are:

- To procure and deploy a Next Generation Access superfast broadband infrastructure across the County. The project is known as Digital Rutland - £1.4 million.
- Continuation and development of Post 16 Education in Rutland - £2 million

Revaluations

The authority carries out a valuation of all of its properties each year to ensure that all its Property, Plant and Equipment is measured at fair value. All valuations at 1 April 2011 were carried out by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

	Other land and buildings	**Vehicles, plant, furniture and equipment**	**Total**
	£000	**£000**	**£000**
Carried at historical cost		1,004	1,004
Valued at fair value at 1 April 2011	41,057		41,057
Total cost or valuation	**41,057**	**1,004**	**42,061**

Note 13: Heritage Assets

A heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

In Rutland the County Museum and Oakham Castle and the exhibits fall within this definition. The Council’s policies for Heritage Assets are included within its Cultural Strategy and it complies with national Acquisitions and Disposals for accredited museums.

Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for as operational assets and valued in the same way as other assets of that type. Both the Castle and the Museum are operational heritage assets held by the Council and are included within the balance sheet at their depreciated replacement cost.

The museum and castle exhibits have a total insured value of £1,060,000 but none of the items are valued individually and they are not included within fixed assets as the average value per item would be below the de minimis value of £10,000 that the council adopts for capital accounting purposes.

There have been no significant acquisitions, disposals or impairments of assets since 1 April 2010 (the date from which the new Accounting Standard applies) and it is not practical to provide information for the years before that date.

Note 14: Investment Properties

The authority has a number of properties that are let for industrial and commercial use, generating net income that is used to support other activities. In addition the authority holds other land and buildings that are not used for operational purposes and are classified as investment properties.

The following items of income and expense have been accounted for in the appropriate service line in the comprehensive Income and Expenditure Statement:

	2010/11 £000	**2011/12 £000**
Rental income from investment property	(103)	(139)
Direct operating expenses arising from investment property	10	39
Net gain	**(93)**	**(100)**

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop or for repair, maintenance or enhancement of investment property.

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

	2010/11 £000	**2011/12 £000**
Balance at the start of the year	1,226	2,114
Additions	4	0
Net gains/losses from fair value adjustments	123	398
Disposals and De-recognitions	0	639
Transfers to/from Property, Plant and Equipment	761	(493)
Balance at the end of the year	**2,114**	**2,658**

Note 15: Intangible Assets

2010/11 £000		2011/12 £000
	Balance at Start of Year	
124	Gross carrying amount	0
(115)	Accumulated amortisation	0
9	Net carrying amount	
(9)	Amortisation for the Period	0
0	Net carrying amount at end of year	**0**
	Comprising	
124	Gross carrying amount	0
(124)	Accumulated amortisation	0
0		**0**

Note 16: Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2012 are made up of the following categories of financial instruments:

	Long-Term		**Current**	
	31 March 2011 £000	**31 March 2012 £000**	**31 March 2011 £000**	**31 March 2012 £000**
Financial liabilities (principal amount)	(21,386)	(21,386)	(12,090)	(7,576)
Accrued Interest	(186)	(186)	0	0
Financial liabilities at amortized cost	(21,572)	(21,572)	(12,090)	(7,576)
Total Borrowings	**(21,572)**	**(21,572)**	**(12,090)**	**(7,576)**
Loans and receivables (principal amount)	1,356	1,296	25,171	18,846
Accrued Interest	0	0	9	21
Loans and receivables at amortized cost	1,356	1,296	25,180	18,867
Total Investments	**1,356**	**1,296**	**25,180**	**18,867**

Loans and receivables include an investment with the Heritable Bank which is in administration. Arising from this is a long term investment in the Balance Sheet which represents the estimated future payout of £55k repayable in 2013/14.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost	Loans and receivables	
	£000	£000	£000
Interest expense	1,033		1,033
Impairment Gains / Losses		(12)	(12)
Total interest payable and similar charges	1,033	(12)	1,021
Interest and investment income		(196)	(196)
Net gain/(loss) for the year	**1,033**	**(208)**	**825**

Financial liabilities and financial assets represented by loans and receivables are carried on 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:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment 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 of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB debt	21,386	24,554	21,386	29,044
Non-PWLB debt	4,991	4,991	2,681	2,681
Total debt	26,377	29,545	24,067	31,725
Trade creditors	6,148	6,148	3,923	3,923
Total financial liabilities	**32,525**	**35,693**	**27,990**	**35,648**
Money market loans < 1 yr	18,159	17,864	15,851	15,568
Trade debtors	1,109	971	2,149	2,001
Total loans and receivables	**19,268**	**18,835**	**18,000**	**17,569**

The fair value of financial liabilities is greater than the carrying amount because the authority'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.

Trade debtors and creditors only include amounts due to or from the Council in respect of the provision or purchase of goods and services.

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

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 and include accrued interest. The fair value 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.

The fair value for loans and receivables has 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, and includes accrued interest. 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.

Note 17: Inventories

	School stocks £000	Other stocks £000	Total £000
Balance outstanding at start of year	6	0	6
Movement in year	(6)	75	69
Written off balances	0	0	0
Balance outstanding at year end	**0**	**75**	**75**

Note 18: Construction contracts

The authority had no construction contracts in progress on behalf of government departments or other public bodies at 31 March 2012.

Note 19: Debtors

Short Term Debtors	31 March 2011 £000	31 March 2012 £000
Central Government bodies	1,341	430
Other local authorities	615	10
NHS bodies	0	3
Schools	186	22
Other entities and individuals	3,462	3,646
Total	**5,604**	**4,111**

LongTerm Debtors	31 March 2011 £000	31 March 2012 £000
VAT Shelter	1,088	816
Other	159	158
Total	**1,247**	**974**

Note 20: Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2011 £000		31 March 2012 £000
4	Cash held by the authority	4
4,944	Bank current accounts in credit	1,827
17,877	Short-term deposits	15,688
22,825	Current Assets	17,519
(4,991)	Bank current accounts overdrawn – Current Liabilities	(2,682)
17,834	**Total Cash and Cash Equivalents**	**14,837**

Note 21: Assets Held for Sale

The authority has one asset held for sale at 31 March 2012. Barleythorpe Hall is currently being actively marketed.

	Current		Non-Current	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Balance at 1 April 2011	**0**	**0**	**0**	**0**
Assets newly classified as held for sale				
Property, Plant and Equipment	0	0	1,500	0
Impairment losses	0	0	(500)	0
Assets declassified as held for sale				
Property, Plant and Equipment	0	0	0	0
Assets Sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Balance at 31 March 2012	**0**	**0**	**1,000**	**0**

Note 22: Creditors

	31 March 2011 £000	31 March 2012 £000
Central Government bodies	2,137	990
Other local authorities	822	877
Schools	1,468	307
Other entities and individuals	6,262	5,258
Total	**10,689**	**7,432**

Note 23: Provisions

	Restructure £000	Outstanding legal claims £000	Total £000
Balance at 1 April 2011	**123**	**326**	**449**
Additional provisions made in 2011/12	5	0	5
Amounts used/written back in 2011/12	(99)	(160)	(259)
Balance at 31 March 2012	**29**	**166**	**195**

Note 24: Usable Reserves

The authority maintains the following usable reserves at 31 March 2012:

Reserve	**Purpose**
General Fund	Statutory requirement for Council to maintain general reserves at appropriate level
Capital Receipts	Statutory requirement to hold receipts from disposal of assets until utilised to meet capital expenditure or applied to redeem debt
Capital Grants Unapplied	Statutory requirement to hold grants received until utilised to meet capital expenditure or applied to redeem debt
Earmarked Reserves	
Schools	Statutory requirement to maintain balances for schools under a scheme of delegation
Invest to Save	Reserve held to finance investment in services that will yield economic or efficiency gains in future years
Planning Delivery Grant	Reserve held to support continued development of Local Planning Framework
Internal Audit	Reserve held to support shared Welland Internal Audit service
Local Strategic Partnership	Reserve held to support future initiatives approved by Rutland Local Strategic Partnership
Adult Demographic Change	Reserve held for meeting additional costs resulting from changing adult demographics
Training	Reserve held to support the implementation of the Personal Development Review Framework
Civic	Reserve for the Diamond Jubilee and Olympic Events
Winter Maintenance	Reserve held to purchase additional salt stocks for the extra gritting of roads in a severe winter
Catmose Extension	Reserve held for improvements to offices
Budget carry forward	Reserve held for expected future increase in demand for services

Movements in the authority’s Usable Reserves are detailed in the Movement in Reserves Statement on page 2.

Note 25: Unusable Reserves

31 March 2011 £000		31 March 2012 £000
26,642	Revaluation Reserve	25,394
26,599	Capital Adjustment Account	27,447
1,360	Deferred Capital Receipts reserve	1,088
(16,719)	Pensions Reserve	(21,147)
97	Collection Fund Adjustment Account	27
(549)	Accumulated Absences Account	(289)
37,430	**Total Unusable Reserves**	**32,520**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Revaluation Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000		2011/12 £000	2011/12 £000
6,346	**Balance at 1 April**		**26,642**
21,451	Upward revaluation of assets	9,425	
(899)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(3,896)	
20,552	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,529
(241)	Difference between fair value depreciation and historical depreciation	(194)	
(15)	Accumulated gains on assets sold or scrapped	(6,583)	
(256)	Amount written off to the Capital Adjustment Account		(6,777)
26,642	**Balance at 31 March**		**25,394**

Available for Sale Financial Instruments Reserve

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

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

The authority does not invest in investments that have quoted market prices. All the investments made are all fixed payment investments.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis. The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction or enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on Donated Assets that have yet to be consumed by the authority.

The account also contains revaluation gains accumulated on Property, plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000	 £000
41,495	**Balance at 1 April**		**26,599**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
(2,591)	• Charges for depreciation and impairment of non-current assets	(8,441)	
	• Revaluation losses on Property, Plant and Equipment		
(9)	• Amortisation of Intangible Assets		
(2,121)	• Revenue expenditure funded from capital under statute	(850)	
(26,110)	• Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	154	
(30,831)			(9,137)
244	Adjusting amounts written out of the Revaluation Reserve		0
(30,587)	Net written out amount of the cost of non-current assets consumed in the year		(9,137)
	Capital financing applied in the year:		
624	• Use of the Capital Receipts Reserve to finance new capital expenditure	29	
14,003	• Capital grants and contributions credited to the CIES that have been applied to capital financing	8,745	
71	• Application of grants to capital financing from the Capital Grants Unapplied Account	0	
991	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,177	
2	• Capital expenditure charged against the general Fund and HRA balances	34	
15,691			9,985
26,599	**Balance at 31 March**		**27,447**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2010/11 £000		2011/12 £000	 £000
(179)	**Balance at 1 April**		**0**
28	Interest	0	
(18)	Impairment	0	
169	Write off adjustment to General Fund	0	
0	**Balance at 31 March**		**0**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time benefits come to be paid.

2010/11 £000		**2011/12 £000**
(33,638)	**Balance at 1 April**	**(16,719)**
10,853	Actuarial gains or losses on pension assets and liabilities	(5,945)
3,781	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(267)
2,285	Employers pensions contributions and direct payments to pensioners payable in the year	1,784
(16,719)	**Balance at 31 March**	**(21,147)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes pace amounts are transferred to the Capital Receipts Reserve.

2010/11 £000		**2011/12 £000**
1,360	**Balance at 1 April**	**1,360**
-	Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the CIES	(272)
-	Transfer to the Capital receipts Reserve upon receipt of cash	-
1,360	**Balance at 31 March**	**1,088**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000		2011/12 £000
99	**Balance at 1 April**	**97**
(2)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(70)
97	**Balance at 31 March**	**27**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to/from the Account.

2010/11 £000		2011/12 £000	2011/12 £000
(590)	**Balance at 1 April**		**(549)**
590	Settlement or cancellation of accrual made at the end of the preceding year	549	
(549)	Amounts accrued at the end of the current year	(289)	
41	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		260
(549)	**Balance at 31 March**		**(289)**

Note 26: Cash Flow Operating Activities

The cash flow for operating activities includes the following items:

2010/11 £000		2011/12 £000
(153)	Interest received	(196)
1,033	Interest paid	1,035

Note 27: Cash Flow Investing Activities

2010/11 £000		2011/12 £000
17,712	Purchase of property, plant and equipment, investment property and intangible assets	8,027
18,159	Purchase of short-term and long-term investments	15,851
(145)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(295)
(20,118)	Proceeds from short-term and long-term investments	(18,159)
(22,204)	Other receipts for investing activities	(1)
(6,596)	**Net cash flows from investing activities**	**5,423**

Note 28: Cash Flow Financing Activities

2010/11 £000		2011/12 £000
0	Repayment of short and long-term borrowing	0
(2)	Other payments for financing activities	(70)
(2)	**Net cash flows from financing activities**	**70**

Note 29: Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement,
- the cost of retirement benefits is based on cash flows, i.e. payment of employer's pensions contributions, rather than current service cost of benefits accrued in the year,
- expenditure on support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the authority's Directorates recorded in the budget reports for the year is as follows:

	People	**Places**	**Resources**	**Total**
	£000	**£000**	**£000**	**£000**
Fees, charges and other service income	(4,166)	(43)	(711)	(4,920)
Government grants	(17,075)	(1,769)	(7,211)	(26,055)
Total Income	**(21,241)**	**(1,812)**	**(7,922)**	**(30,975)**
Employee Expenses	7,497	2,447	3,214	13,158
Other operating expenses	28,963	7,774	9,633	46,370
Support Service Recharges (reported to management)	0	0	0	0
Total operating expenses	**36,460**	**10,221**	**12,847**	**59,528**
Net Cost of Services	**15,219**	**8,409**	**4,925**	**28,553**

The major re-structuring of the council which took effect from 1st April 2011 reducing the number of Directorates from 5 to 3 means that total comparative figures for 2010/11 only are available; these are as follows:

	2011/12	2010/11
	£000	**£000**
Fees, charges and other service income	(4,920)	(7,363)
Government grants	(26,055)	(36,102)
Total Income	**(30,975)**	**(43,465)**
Employee Expenses	13,158	15,305
Other operating expenses	46,370	56,326
Support Service Recharges (reported to management)	0	0
Total operating expenses	**59,528**	**71,631**
Net Cost of Services	**28,553**	**28,166**

Reconciliation to Subjective analysis

	Service Analysis	Services not in Analysis	Not reported to management	Not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(4,920)	0	0	0	(3,154)	(8,074)	(51)	(8,125)
Interest and investment income	0	0	0	0	0	0	(195)	(195)
Income from Council Tax	0	0	0	0	0	0	(21,504)	(21,504)
Exceptional Pension Costs	0	0	0	0	0	0	0	0
Government grants and contributions	(26,055)	0	0	0	0	(26,055)	(18,176)	(44,231)
Total Income	**(30,975)**	**0**	**0**	**0**	**(3,154)**	**(34,129)**	**(39,926)**	**(74,055)**
Employee expenses	13,158	0	0	0	0	13,158	179	13,337
Other service expenses	46,370	0	0	0	0	46,370	65	46,435
Support Service recharges	0	0	0	0	2,995	2,995	0	2,995
Depreciation, amortization and impairment	0	0	0	0	0	0	10,131	10,131
Interest payments	0	0	0	0	0	0	1,033	1,033
Precepts and Levies	0	0	0	0	0	0	550	550
Total Operating Expenses	**59,528**	**0**	**0**	**0**	**2,995**	**62,523**	**11,958**	**74,481**
Surplus or Deficit on the provision of services	**28,553**	**0**	**0**	**0**	**(159)**	**28,394**	**(27,968)**	**426**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2011/12 £000
Net expenditure in the Directorate analysis	28,553
Amounts in the CIES not reported to management in the analysis	8,831
Cost of services in the CIES	**37,384**

Note 30: Acquired and Discontinued Operations

There are no operations that have been acquired or discontinued in the year.

Note 31: Trading Operations

The authority had no material trading operations which need to be disclosed separately under the Code.

Note 32: Agency Services

The authority had no material Agency Services which need to be disclosed separately under the Code.

Note 33: Road Charging Schemes under the Transport Act 2000

The authority does not operate any road charging or workplace charging schemes.

Note 34: Pooled Budgets

Under the terms of a Section 75 Agreement (Health Act 2006), the Council's Directorate for People's Services has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the Primary Care Trusts (PCTs). Leicester City PCT acts as the host authority. The total income to the pool for 2011/12 was £4.94m (£4.06m 2010/11) of which Rutland County Council contributed £0.08m (£0.08m 2010/11). Total expenditure from the pool was £4.94m (£4.06m 2010/11).

The department has also entered into a pooled budget arrangement for the Deprivation of Liberty services with Leicestershire County Council and Leicestershire's PCTs. Leicestershire County Council acts as the host authority. The total income to the pool for 2011/12 was £0.368m (£0.684m 2010/11) of which Rutland County Council contributed £0.014m (£0.018m 2010/11). Total expenditure from the pool was £0.399m (£0.498m 2010/11) and the previous year's underspend has been utilised to cover the additional expenditure.

Note 35: Members' Allowances

The authority paid the following amounts to Members of the Council during the year:

	2010/11 £000	**2011/12 £000**
Basic allowances	97	98
Special responsibility allowances	85	73
Expenses	20	19
Total	**202**	**190**

Note 36: Officers' Remuneration

The remuneration paid to the authority's senior employees is as follows:

Post Title	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Benefits in kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2011/12	Pension Contributions	Total Remuneration including pension contributions 2011/12
	£	£	£	£	£	£	£
Chief Executive	113,384	683	0	642	114,709	18,482	133,191
Strategic Director for People's Services	90,000	1,826	0	642	92,468	14,670	107,138
Strategic Director for Places	85,000	1,519	0	642	87,161	13,855	101,016
Strategic Director for Resources	80,000	423	0	642	81,065	13,040	94,105
Total	**368,384**	**4,451**	**0**	**2,568**	**375,403**	**60,047**	**435,450**

During 2010/11 the Council underwent a significant restructuring affecting Senior Officers. Upon completion of this restructure only the Chief Executive and the Strategic Directors for People's Services, Places and Resources fulfil the criteria of Senior Staff. However, prior to the restructure a number of Officers fulfilled these criteria and therefore all are listed below for transparency and to aid the comparison of the 2011/12 figures against those for 2010/11.

Post Title	Note	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Benefits in kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive		111,285	162		963	112,410	19,614	132,024
Director of Peoples/Director of Children & Young People's Services	**1**	83,408	2,303		963	86,674	14,462	101,136
Director of Places/Assistant Director Community Services	**2**	73,913	1,198		963	76,074	12,836	88,910
Director of Resources/Head of Strategic Finance	**3**	69,356	6		530	69,892	12,045	81,937
Director of Development	**4**	43,954	59	27,759		71,772	7,437	79,209
Director of Community Services	**5**	37,675	313	39,516	482	77,986	141,612	219,598
Director of Adult Social Care, Health & Housing	**6**	45,001	997	75,350	575	121,923	7,614	129,537
Director of Corporate Services	**7**	61,095	496		963	62,554	0	62,554
Assistant Director Children's & Young Peoples Service	**8**	59,540	916		963	61,419	10,074	71,493
Assistant Director Adult Social Care, Health & Housing	**9**	57,695	379		963	59,037	9,762	68,799
Total		**642,922**	**6,829**	**142,625**	**7,365**	**799,741**	**235,456**	**1,035,197**

Note 1 - The Director of Peoples post was filled on the 13th September 2010 and has an annual salary of £90,000. The occupant of this post was the previous Director of Children's & Young Peoples Services until the 12th September 2010 and had an annual salary of £75,350. This post is no longer included in the Establishment.

Note 2 - The Director of Places post was filled on the 13th September 2010 and has an annual salary of £85,000. The occupant of this post was the previous Assistant Director Community Services until the 12th September 2010 and had an annual salary of £60,363. This post is no longer included in the Establishment.

Note 3 - The Director of Resources post was filled on the 13th September 2010 and has an annual salary of £80,000. The occupant of this post was the previous Head of Strategic Finance which was removed from the Establishment on the 12th September 2010 and had an annual salary of £53,159. This post is no longer included in the Establishment.

Note 4 - The Director of Development post was vacated on the 31st October 2010 and attracted an annual salary of £75,350. It is no longer included within the Establishment

Note 5 - The Director of Community Services post was vacated on the 30th September 2010 and attracted an annual salary of £75,350. It is not longer included within the Establishment. As part of the termination package, early release of pension was permitted (see Note 47: Defined Benefit Pension Schemes).

Note 6 - The Director of Adult Social Services, Health & Housing post was vacated on the 9th November 2010 and attracted an annual salary of £75,350. It is no longer included within the Establishment

Note 7 - The Director of Corporate Services works 30 hours per week. The whole time equivalent salary is £75,350

Note 8 - The Assistant Director Children's and Young Peoples Service post was vacated on the 13th October 2010 and attracted an annual salary of £63,363 at that date. It is no longer included within the Establishment.

Note 9 - The Assistant Director Adult Social Care, Health & Housing post was vacated on the 13th October 2010 and attracted an annual salary of £60,363 at that date. It is no longer included within the Establishment.

In addition to the above other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2010/11 Number of employees	2011/12 Number of employees
£50,000 to £54,999	3	3
£55,000 to £59,999	4	1
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	2	0

Note 37: External Audit Costs

The authority has incurred the following costs in relation to fees payable to the Audit Commission for the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the external auditors:

2010/11 £000		2011/12 £000
150	Fees Payable with regard to external audit services carried out by the appointed auditor	132
0	Fees Payable in respect of statutory inspection	0
25	Fees Payable for the certification of grant claims and returns	14
1	Fees payable in respect of other services provided by the appointed auditor	1
176		**147**

Note 38: Dedicated Schools Grant

The authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, principally the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance (England) Regulations 2008. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. The DSG is included within the Income shown in the Comprehensive Income and Expenditure Statement

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central expenditure £000	Individual schools' budgets £000	Total 2011/12 £000
Final DSG for 2011/12	4,399	10,879	15,278
Brought forward from 2010/11	565	0	565
Agreed budgeted distribution in 2011/12	4,964	10,879	15,843
Actual central expenditure	(4,319)	0	(4,319)
Actual ISB deployed to schools	0	(10,879)	(10,879)
Carry forward to 2012/13	**645**	**0**	**645**

NOTE 39: Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income

	Awarding Body	2010/11 £000	2011/12 £000
Local Area Agreement Reward Grant	CLG	373	0
Area Based Grant	CLG	2,591	0
Personal Searches	CLG	0	34
Early Intervention Grant	DfE	0	1,810
Council Tax Freeze Grant	CLG	0	521
Local Services Support Grant	CLG	0	288
New Homes Bonus	CLG	0	131
PCT Grant	DoH	0	358
Troubled Families	DfE	0	20
Highways Maintenance	DfT	359	0
Winter Maintenance	DfT	176	0
Think Family	DfE	359	0
Other Grants	Various	391	0
Total credited to Taxation and Non Specific Grant Income		**4,249**	**3,162**

Credited to Services

	Awarding Body	2010/11 £000	2011/12 £000
School Sport Partnership	DfE	122	14
Housing Benefit Subsidy	DWP	4,913	5,145
Council Tax Benefit Subsidy	DWP	1,884	1,869
Benefits Admin Claim	DWP	179	165
Diploma Funding	DfE	124	0
Young Apprenticeship	LSC	104	56
Adult Learning Various	LSC	803	715
Extended Schools Standards Fund	DfE	199	0
Early Year Extended Free Entitlement Standards Fund	DfE	256	0
Sure Start Early Years and Childcare	DfE	1,159	0
Dedicated Schools Grant	DfE	21,576	15,278
Schools Standards Grant (inc personalisation)	DfE	1,115	0
School Development Grant Standards Fund	DfE	973	0
Primary Strategy Standards Funds	DfE	228	0
121 Tuition Standards Funds	DfE	152	0
Unaccompanied Asylum Seeking Children	HO	129	113
Contact Point	DfE	23	0
Special Needs Post 16	LSC	110	113
Transforming Social Care	DOH	153	192
Other Grants	Various	898	325
Total credited to Services		**35,100**	**23,985**

Capital Grants and Contributions

	Awarding Body	2010/11 £000	2011/12 £000
Sports England	Sports England	500	0
Young Peoples Learning Agency (LSC)	DfE	109	0
Primary Capital Programme	DfE	5,378	0
Capital Maintenance	DfE	0	749
Basic Need Grant	DfE	0	874
Targeted Capital Fund	DfE	5,342	226
Modernisation	DfE	383	0
Highways Capital Maintenance	DfT	0	1,480
Highways Integrated Transport	DfT	0	230
Devolved Formula Capital	DfE	416	101
S106 Contributions	Various	0	166
Playbuilder	DfE	63	0
Other Grants	Various	629	530
Total Capital Grants and Contributions		**12,820**	**4,356**

Total of all grants		**52,169**	**31,503**

Revenue Grants and Contributions Receipts in Advance

	Awarding Body	2010/11 £000	2011/12 £000
Uppingham Neighbourhood Front Runner Scheme	CLG	0	20
Housing Benefit Transitional Grant	CLG	0	2
Total Revenue Contributions Received in Advance		0	**22**

There were no Capital Grants and Contributions Receipts in Advance

Note 40: Related Parties

The authority is required to disclose material transactions with related parties, i.e. bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Central Government

Central Government has effective control over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties, e.g. council tax bills and housing benefits. Grants received from Government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions.

Rutland County College Trust

During the year to 31 March 2011 the authority entered into a Trust relating to the development of Rutland County College. The Casterton Business & Enterprise College (CBEC) became an Academy as of 1st September 2011 taking full responsibility for Rutland County College and as a result of the Trust ceased to operate. At 31 March 2012 the Trust was dormant and was formally closed early in 2012/13.

Members of the Council

Members of the Council have direct control over the authority's financial and operating policies. The total of Members allowances paid in 2011/12 is shown in Note 35. During 2011/12 no significant works and services were made to parties where Members had an interest.

Grants and other exchanges were made between the authority and a number of voluntary organisations upon which the authority's Members served as trustees or similar. In most cases Members had been appointed by the authority to the organisation concerned to represent the authority's interests and oversee the use of the authority's funds.

Members are asked to make an annual declaration of related party transactions including those involving close family members and their households. From the declarations made there are no transactions in 2011/12 that are considered material and would require their disclosure.

Members also declare interests in any items under discussion at meetings of the Council or any of its committees or panels or Cabinet. Details of all these transactions are recorded in the Register of Members Interest, which is open to public inspection at the council offices during office hours.

Officers of the Council

Officers who have any influence over the authority's financial operations are required to make an annual declaration of any material transactions they or their immediate family have with the authority. There are no transactions in 2011/12 that are considered material and would require their disclosure.

Note 41: Capital Expenditure and Capital financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

2010/11 £000		2011/12 £000
22,767	*Opening Capital Financing Requirement*	*26,980*
	Capital Investment	
2,892	Operational assets	1,858
14,820	Non operational assets	6,205
2,121	Revenue expenditure funded from capital under statute	850
19,833		8,913
	Sources of Finance	
(624)	Capital receipts	(30)
(14,003)	Government grants & other contributions	(8,849)
(993)	Sums set aside from revenue (includes direct revenue financing & MRP)	(1,211)
(15,620)		(10,090)
26,980	*Closing Capital Financing Requirement*	*25,803*
	Explanation of movement in the year	
4,213	Increase/(reduction) in the underlying need to borrow	(1,177)

Note 42: Leases

Authority as Lessee

Operating leases:
The authority has acquired vehicles, a mobile library and equipment by entering into operating leases. The minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2012 £000
Not later than one year	127	118
Later than one year and not later than five years	139	199
Later than five years	205	188
Total	**471**	**505**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £000	31 March 2012 £000
Minimum lease payments	145	130
Contingent rents	0	0
Total	**145**	**130**

Authority as Lessor

The authority leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2012 £000
Not later than one year	122	142
Total	**122**	**142**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 43: Private Finance Initiatives and Similar Contracts

The authority has no arrangements which fall within the definition of Private finance Initiatives or similar contracts.

Note 44: Impairment Losses

During 2011/12 the Authority has recognised impairment losses of £1,527,000. The most significant of these relate to Edith Weston Primary School (£491,000), Ryhall C of E Primary School (£436,000), Langham C of E Primary School (£73,000) and Visons at CBEC (£435,000) which were valued on a Depreciated Replacement Cost basis.

Note 45: Capitalisation of borrowing costs

The authority has not capitalised any borrowing costs during the year.

Note 46: Termination Benefits

As part of the ongoing reorganization the Authority terminated by voluntary agreement the contracts of 35 employees in 2011/12, incurring liabilities of £241,000. The total cost above has been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Four of the individual exit packages included above were in the range of £20,000 to £40,000, the remaining 31 were below £20,000 each.

In 2010/11 the contracts of 51 employees were terminated by voluntary agreement and 3 compulsorily as part of a major reorganisation incurring liabilities of £942,266. Of this total £174,753 was payable to the Director of Community Services in the form of compensation for loss of office and enhanced pension benefits; the individual exit packages of the other 53 employees fell into the following ranges:

Below £20,000	40
From £20,000 to £40,000	10
From £40,000 to £60,000	2
From £60,000 to £80,000	1

Note 47: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement and the authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However the scheme is unfunded and the Department for Education uses a national fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the authority paid £0.82 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£1.49 million and 14.1% 2010/11). There were no contributions remaining payable at the year-end.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

Note 48: Defined Benefit Pension Schemes

a) Participation in pension schemes

As part of the terms and conditions of employment 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 that needs to be disclosed at the time that the employees earn their future entitlement.

The authority participates in two pension schemes:

- the Local Government Pension Scheme, administered by Leicestershire County Council - this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets (see notes b to f below).
- the Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 47 above).

b) Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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 in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

2010/11 £000		2011/12 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
2,436	Current service cost	1,651
(7,136)	Past service costs	0
	Other operating expenditure:	
138	Curtailment and settlements	(1,563)
	Financing and Investment Income and Expenditure:	
3,930	Interest cost	3,125
(3,149)	Expected return on assets in the scheme	(2,946)
(3,781)	**Net charge to the CIES**	**267**
	Movement in Reserves Statement	
6,066	Reversal of net charges made for retirement benefits in accordance with IAS19	1,517
2,285	**Actual amount charged against the General Fund balance for pensions during the year**	**1,784**

c) Assets and liabilities in relation to retirement benefits

Reconciliation of the present value of scheme liabilities:

31 March 2011 £000		31 March 2012 £000
77,157	Funded liabilities as at 1 April	60,139
2,436	Current service cost	1,651
3,930	Interest cost	3,125
839	Contributions by scheme participants	617
(13,410)	Actuarial gains and losses	3,177
0	Curtailments gain and losses	194
0	Liabilities extinguished on settlements	(4,115)
(3,815)	Benefits paid	(2,140)
(6,998)	Past service costs	0
60,139	**Funded Liabilities 31 March**	**62,648**

Reconciliation of fair value of scheme assets:

31 March 2011 £000		31 March 2012 £000
43,519	Assets as at 1 April	43,420
3,149	Expected return on assets	2,946
(2,557)	Actuarial gains and losses	(2,768)
	Assets distributed on settlements	(2,358)
2,285	Employer contributions	1,784
839	Contributions by scheme participants	617
(3,815)	Benefits paid	(2,140)
43,420	**Assets as at 31 March**	**41,501**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets during the year was an increase of £0.188 million (decrease of £3.588 million 2010/11).

d) Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Fair value of assets in the Local Government Pension Scheme	39,405	30,644	43,519	43,420	41,501
Present value of liabilities	(46,395)	(45,998)	(77,157)	(60,139)	(62,648)
Surplus/(deficit) in the scheme	(6,990)	(15,354)	(33,638)	(16,719)	(21,147)
Experience gains/(losses) on assets	(2,769)	(12,807)	9,519	(2,557)	(2,768)
Experience gains/(losses) on liabilities	(5,534)	67	(152)	2,917	(560)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £21,147 million has a substantial 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. The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £1.499m.

e) Basis for estimating assets and liabilities

31 March 2011		31 March 2012
	Long term expected rate of return on assets in the scheme:	
7.50%	Equity investments	6.20%
4.90%	Bonds	3.90%
5.50%	Property	4.40%
4.60%	Cash	3.50%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
20.9 years	Men	20.9 years
23.3 years	Women	23.3 years
	Longevity at 65 for future pensioners:	
23.3 years	Men	23.3 years
25.6 years	Women	25.6 years
2.80%	Rate of inflation	2.50%
5.10%	Rate of increase in salaries	4.80%
2.80%	Rate of increase in pensions	2.50%
5.50%	Rate for discounting scheme liabilities	4.80%
50%	Take-up of option to convert annual pension into retirement lump sum – pre 2008 Service	50%
75%	Take-up of option to convert annual pension into retirement lump sum – post 2008 Service	75%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of total assets held:

31 March 2011		31 March 2012
82%	Equity investments	65%
7%	Bonds	16%
11%	Property	11%
0%	Cash	8%

f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-7.03	-41.79	21.87	-5.89	-6.67
Experience gains and losses on liabilities	-11.93	0.15	-0.2	4.85	-0.89

Note 49: Contingent Liabilities

The Council has agreed to contribute a maximum of £725,000 towards the future development and operation of the Rutland County College, this contribution being made from a sum to be received from the former operator of the college when the operation moves to new premises in 2012. The contribution covers the cumulative operational deficit expected in the first few years, based on a 7 year business plan but the actual amounts paid and their timing will depend on the actual financial results in each academic year.

Note 50: Contingent Assets

At 31 March 2012 the authority had no material contingent assets.

Note 51: Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The authority'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 authority;

· Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments;

· Re-financing risk – the possibility that the authority 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 authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The authority'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 in the *Local Government Act 2003* and the associated regulations. These require the authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued under the Act. Overall these procedures require the authority 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 authority's overall borrowing;
  - its maximum and minimum exposures to fixed and variable interest rates;
  - its maximum and minimum exposures for 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 Government guidance;

These indicators are required to be reported and approved at or before the authority meets to set its annual budget and Council Tax each year. These items are reported with the annual treasury management strategy which outlines the approach to managing risk in relation to the authority's financial instrument exposure. Actual performance is also reported annually to Members. These policies are implemented by officers in the finance team within the Resources directorate. The authority 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 authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Management Strategy.

No breaches of the authority's counterparty criteria occurred during the reporting period.

The authority deposited £1m with Heritable Bank on 15 July 2008 at an interest rate of 6.09%, which should have matured on 15 January 2009. However, the bank was placed in administration in October 2008. The latest creditor progress report issued by the administrators Ernst and Young in September 2011 noted that current projections suggest a best case return to creditors of 86 to 90 pence in the pound. At 31 March 2012 the authority had received repayments totalling £0.688 million and is expecting further repayments of £0.1 million during the 2012/13.

The current position on actual payments received and estimated future payouts is as shown in the table below and has been used to calculate the impairment based on recovering 88p in the £.

Date	Repayment
Received to date	67.90%
April 2012	3.79%
July 2012	3.50%
October 2012	3.50%
January 2013	3.50%
April 2013	5.81%

The authority does not generally allow credit for its trade debtors, such that £0.62m of the £2.15m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Period	**£000**
Between one and three months	285
More than three months	335
Total	**620**

During the reporting period the council held no collateral as security for trade debts.

Liquidity risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the Public Works Loans Board provides access to longer term funds, it also acts as a lender of last resort (although it will not provide funding to an authority whose actions are unlawful). The authority 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 authority 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 as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The authority 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 placed on investments made for greater than one year in duration are the key parameters used to address this risk. The authority's approved treasury and investment strategies address the main risks and officers in the finance team within the Resources directorate 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 authority'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 long term financial liabilities is as follows:

Period	**£000**
Less than one year	0
Between one and two years	0
Between two and seven years	0
Between seven and 15 years	0
More than fifteen years	21,386

The maturity analysis of long term financial assets is as follows:

Period	**£000**
Between one and two years	336
Between two and three years	273
More than three years	421

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.11 million are not shown in the table above.

Market risk
Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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 Surplus or Deficit on the Provision of Services or Total Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the fair value of fixed rate investments, which have a quoted market price, will be reflected within the Comprehensive Income and Expenditure Statement. The authority has no financial instruments in these classifications.

The authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together authority'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. Officers in the finance team within the Resources directorate will 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 better long term returns.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect in 2011/12 would be:

Effect	**£000**
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(194)
Impact on Income and Expenditure Account	(194)

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 methodology outlined in Note 15 above.

Price risk

The authority, excluding the pension fund, does not invest in equity shares.

Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates

Note 52: Trust Funds

The Authority acts as custodian trustee for the Emma Molesworth Trust. As a custodian trustee the authority holds the investment but takes no decisions on its use. The funds do not represent the assets of the Authority and therefore have not been included in the Balance Sheet.

	Income £000	Expenditure £000	Assets £000	Liabilities £000
2011/12	7	(12)	180	0
2010/11	7	(15)	184	0

Part 3

Supplementary Financial Statements

Collection Fund

2010/11 £000		2011/12 £000	Note
	Income		
(22,784)	Council Tax (amount receivable net of benefits, discounts and transitional relief)	(22,906)	C2
	Transfers from General Fund:		
(1,864)	Council Tax benefits	(1,839)	
(9,152)	Income collectable from business ratepayers	(9,071)	C1
(33,800)		**(33,816)**	
	Expenditure		
24,543	Precepts and demands from major preceptors and the authority	24,635	C3
	Business Rates:		
9,059	payment to National Pool	8,985	C1
53	costs of Collection	53	C1
	Impairment of debts/appeals:		
19	write-offs of uncollectible amounts	40	
	Increase of bad debt provision	15	
40	allowance for impairment	33	
88	Contributions towards previous year's estimated Collection Fund surplus	136	C4
33,802		**33,897**	
2	**Movement on fund balance**	**81**	
(114)	**Fund balance brought forward**	**(112)**	
(112)	**Fund balance carried forward**	**(31)**	C5

Note C1: National non-domestic rates (NNDR)

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount collectable, less certain reliefs and other deductions, is paid to a central pool managed by central government that is redistributed to local authorities through the formula grant system.

The total non-domestic rateable value as at 31 March 2012 was £26.182 million (the equivalent figure for 31 March 2011 was £25.173 million).

The NNDR multiplier for 2011/12 was 43.3 pence (2010/11 – 41.4 pence). The small business multiplier for 2011/12 was 42.6 pence (2010/11 – 40.7 pence).

Note C2: Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2011/12 is calculated as follows:

2010/11 Band D equivalent	**Band**	**Number of chargeable dwellings (adjusted for dwellings where discounts apply)**	**Ratio**	**2011/12 Band D equivalent**
3.33	A (with disabled relief)	5.75	05:09	3.19
816.43	A	1,245.46	06:09	833.25
2,478.32	B	3,191.88	07:09	2,489.09
2,175.20	C	2,463.23	08:09	2,199.53
2,045.36	D	2,056.76	09:09	2,066.36
2,465.52	E	2,014.50	11:09	2,471.97
2,053.49	F	1,422.13	13:09	2,062.87
1,898.24	G	1,123.50	15:09	1,886.53
242.1	H	117.75	18:09	238.70
14,177.99				14,251.49
491.27	Ministry of Defence contribution in lieu of council tax			456.50
-141.78	Allowance for non-collection			-142.51
14,527.48	**Council tax base**			**14,565.48**

Note C3: Precepts and demands

Leicestershire Police Authority and Leicester, Leicestershire & Rutland Fire Authority issue precepts to the authority that must be collected as part of the overall council tax. Rutland County council itself also demands an amount to be collected which includes the amounts required by town and parish councils. The amounts paid for 2011/12 were as follows:

2010/11 £000		**2011/12 £000**
21,304	Rutland County Council demand	21,386
2,464	Leicestershire Police Authority	2,471
775	Leicester, Leicestershire & Rutland Fire Authority	778
24,543		**24,635**

Note C4: Estimated Collection Fund surplus

The authority estimates the year-end balance on the Collection Fund in January each year in accordance with regulatory requirements. The estimated balance is apportioned between the authority and the major precepting bodies in proportion to the value of the respective precepts and demands and either distributed, if a surplus is estimated, or collected if a deficit is estimated, in the following financial year. In January 2011 the estimated surplus at 31 March 2011 was £136,100 (31 March 2010 £88,000) which was distributed as follows:

31 March 2011 £000		31 March 2012 £000
76	Rutland County Council	118
9	Leicestershire Police Authority	14
3	Leicester, Leicestershire & Rutland Fire Authority	4
88	**Total**	**136**

Note C5: Collection Fund balance

Although the Collection Fund is administered by the authority it does so as an agent for the major precepting bodies and is only required to account for its share of the balance within the Balance Sheet. This is included within Unusable Reserves as Collection Fund Adjustment Account and detailed in Note 24.

The balance at 31 March 2012 is attributed between the authority and the major precepting bodies as follows:

31 March 2011 £000		31 March 2012 £000
	Attributable share of surplus:	
97	Rutland County Council	27
11	Leicestershire Police Authority	3
4	Leicester, Leicestershire & Rutland Fire Authority	1
112	**Total**	**31**

Part 4

Auditor's Report

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Glossary

Term	Explanation
Academy Schools	Academy schools are directly funded by central government (Department of Education) and are independent of local council control.
Accounting Period	The period covered by the accounts, usually a period of 12 months. For a local authority the accounting period starts on 1 April and ends on the 31 March.
Accounting Policies	These are the principles, conventions and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements
Accrual	A sum included in the final accounts attributable to that accounting period but for which payment has not to been made or income received by 31 March
Actuarial Gains & Losses	For a defined benefit pension scheme the changes in actuarial deficit or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.
Agency	The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, another.
Appropriation	The transfer of sums to and from reserves, provisions and balances
Area Based Grant (ABG)	A general grant allocated directly to local authorities as additional revenue funding for areas This is a non-ring fenced grant
Asset	An item having a value to the local authority in monetary terms, categorised as either - a current asset – these are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the local authority expects to realize the assets within 12 months of the end of the accounting period (i.e. year-end) - a non-current asset – these are assets that do not meet the definition of a current asset and can be tangible (e.g. a building or vehicle) or intangible (e.g. computer software licence)
Audit	An independent examination of the Council's activities, either by Internal Audit or the External Auditor appointed by the Audit Commission.
Balance Sheet	This shows all balances including non-current and net current assets, liabilities and reserves.
Balances	The general reserves of the Council made up of the accumulated surplus of income over expenditure.
Borrowing costs	These are the interest and other costs incurred by the local authority as a result of borrowing funds.
Budget	The forecast of expenditure and income for all of the Council's services and capital expenditure over the accounting period.

Term	Explanation
Capital Adjustment Account	This is an unusable capital reserve, largely consisting of resources applied to capital financing and not available to the local authority to support new investment
Capital Charges	This is a general term used for the notional charges made to services for the use of non-current assets. It comprises depreciation and impairment charges (included in gross expenditure).
Capital Grants Unapplied Account	This is made up of grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but where the capital expenditure to which it relates has yet to be incurred. The grant income is held in this account until it can be applied.
Capital Expenditure	Expenditure on the acquisition or creation of a fixed asset, or expenditure on the enhancement of an existing fixed asset which adds to and not merely maintains its value.
Capital Financing Costs	The raising of money to pay for capital expenditure through borrowing, leasing, financing from revenue, capital receipts, capital grants, capital contributions and revenue reserves.
Capital Financing Requirement	This is a statutory to ensure that over the medium term the net borrowing by the local authority will only be for capital purposes.
Capital programme	The capital schemes the Council intends to carry out over a specific time period.
Capital Receipts	Income from the sale of non-current assets e.g. land or property. Such income may only be used to repay loan debt or to finance new capital expenditure.
Carrying Amount	The amount of a non-current asset that is recognised on the Balance Sheet after all the costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).
Cash Equivalents	These are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).
Cash flow statement	A statement summarising the inflows and outflows of cash arising from transactions between the Council and third parties.
CIPFA	This is the Chartered Institute of Public Finance and Accountancy. It is the leading professional accountancy body for the public sector.
Collection Fund	This is the fund administered by the Council to collect council tax and non-domestic rates. The Police Authority, the Fire and Rescue Authority and the town and parish councils' precept on the Collection Fund to finance their net expenditure.
Community Assets	Assets that the authority is likely to keep in perpetuity for the benefit of local people, e.g. parks, reclaimed land.
Comprehensive Income and Expenditure Account	This is a statement that reports the net cost of all the services that the local authority is responsible for, and demonstrates how that cost has been financed.

Term	Explanation
Contingent Asset	This is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the local authority.
Contingent Liability	This is a potential cost that the local authority may incur in the future because of a past event, but there is no certainty that the cost will occur.
Corporate and Democratic Core	The corporate and democratic core comprises all activities which Local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. They cover corporate policy making, representing local interests, services to elected members as local representative and duties arising from public accountability.
Council Tax	A charge on each residential property to finance a proportion of a local authority's expenditure.
Creditors	Amounts owed by the local authority for work done, goods received or services rendered, but for which payment has not be made by 31 March (i.e. the year-end).
Current Assets	Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.
Current Liabilities	Amounts which will become payable or could be called-in within the next accounting period e.g. creditors.
Current service cost	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.
Debt outstanding	Amounts borrowed to finance capital expenditure which are still to be repaid.
Debtors	Amounts due to the local authority for works done, goods received or services rendered that are unpaid at the end of the financial year.
Dedicated Schools Grant	This is the ring-fenced specific grant paid to local authorities by the DfE in support of the Schools Budget. The money has to be either delegated to schools or used for centrally managed provision for pupils. It cannot be spent on other services.
Deferred Capital Receipts	Amounts due to the Council from the sale of fixed assets which are not receivable immediately at the time of sale.
Defined benefit scheme	A pension or other retirement benefit scheme in which the rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Term	Explanation
Defined contribution scheme	A pension or other retirement benefit scheme in which the benefits are related to the contributions payable.
Depreciation	The measure of the amount of a non-current asset that has been used up during the period, whether arising from use, passage of time or obsolescence.
Depreciated Replacement Costs (DRC)	This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.
Discontinued Operations	Operations comprise services and division of service as defined in CIPFA's Service Reporting Code of Practice. Discontinued operations are those operations of the local council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.
Discretionary benefits	Retirement benefits which the Council has no legal, contractual or constructive obligation to award and are awarded under discretionary powers.
Donated assets	These are assets which are transferred to the Council at nil value or acquired at less than fair value.
Earmarked Reserves	Those elements of total Rutland County Council reserves which are retained for specific purposes.
Emoluments	All taxable sums paid to or receivable by an employee and sums due by way of expenses, allowances and the money value of any other benefits received other than in cash.
Employee benefits	Are all forms of consideration (both monetary and in-kind) given by the County Council in exchange for service rendered by employees.
Exceptional Items	Events which are material in terms of the Council County's overall expenditure and are not expected to recur frequently or regularly.
Expected rate of return on assets	For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value, but net of scheme expenses, expected over the remaining life of the actual assets held by the scheme.
Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.
Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
Finance lease	A Finance Lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Assets	A right to future economic benefits controlled by the Council
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).
Financial Liability	An obligation to transfer economic benefits controlled by the council.

Term	Explanation
Foundation Schools	Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.
General Fund	The main revenue account of a local authority, which summarises the cost of all services provided which are paid for from Government grants, non-domestic rates contributions, council tax and other income.
Government Grants	Payments by central government towards council expenditure. They are receivable in respect of both revenue and capital expenditure.
Grants and Contributions	Assistance in the form of transfers of resources to a council in return for past or future compliance with certain conditions relating to the operation of activities.
Going concern	The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Housing advances	Loans made by the Council to individuals or Housing Associations towards the cost of constructing, acquiring or improving dwellings.
Housing benefits	A system of financial assistance to individuals towards certain housing costs administered by the Council and met from Government subsidy.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet
Intangible Asset	An asset without physical subsistence for example, computer software and Licences
International Financial Reporting Standards (IFRS)	Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
Income	Amounts which the Council receives or expects to receive from anysource, including fees, charges, sales and grants.
Infrastructure Assets	Fixed assets, such as highways, where expenditure is only recoverable by continued use of the asset created.
Interest cost (pensions)	For a defined benefit scheme the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.
Inventories	Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.
Investment properties	Land and buildings which are held for their investment potential orrental income
Liability	A liability is where the Council owes payment to an individual or another organisation. Liabilities are defined as current or long-term. A current liability will be discharged or cease to have value within the next financial year e.g. creditors. A long-term liability will have a period of more than 12 months before maturity.

Term	Explanation
Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.
Long Term Borrowing	Loans raised to finance capital spending which are not due for repayment within the next 12 months
Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
Long Term Debtors	Sums of money due to the council originally repayable within a period in excess of twelve months but where payment is not due until future years
Materiality	The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statement.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.
Non-domestic rates	A tax on non-residential premises set annually by Government. Rates are collected and paid into a central pool and the proceeds are redistributed by the Government between local authorities based on population.
Net book value	The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation
Net current replacement cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use
Net debt	The Council's borrowings less cash and liquid resources
Net realisable value	The open market value of the asset in its existing use (or market valuein the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-distributed costs	These are overheads for which no individual user receives direct benefits and are not therefore apportioned to services
Non-Operational Assets	Assets held by the Council but not directly used for the provision of services, e.g. assets surplus to requirements, investment properties, assets under construction
Off Balance Sheet	Accounting category not shown or recorded on a balance sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'
Operating lease	A lease where the ownership of the asset remains with the Lessor.
Operational Assets	Fixed assets held and occupied, used or consumed by the Council in the direct delivery of its services.
Past service costs	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Term	Explanation
Pension fund accounts	This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the financial statements of employers.
Precepts	The income which the local Town and Parish Councils, the Police Authority and the Fire and Rescue Authority requires from the levying of Council Tax.
Principal	The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
Prior period adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A government initiative that enables authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
Provision	An amount set aside for liabilities or losses which are certain or very likely to be incurred but uncertain as to the amount or date when it will arise.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Term	Explanation
Prudential Indicators	Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All councils must adhere to this. There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A council may also choose to use additional voluntary indicators.
Public Works Loans Board (PWLB)	A Government agency from which local authorities may raise long term loans, usually at advantageous interest rates.
Rateable value	The annual assumed rental of a non-residential property which is used as the basis for charging non-domestic rates.
Recognition	The process upon which assets are deemed to belong to the council either by purchase, construction or other forms of acquisition.
Related party	These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the council or the government of which it forms part.
Retrospective application	This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
Revenue Expenditure Funded from Capital Under Statute.	A type of capital expenditure which does not give rise to tangible assets in which the Council has an interest. Examples are renovation grants and capital grants to other organisations.
Revenue Support Grant (RSG)	Grant paid by the Government in respect of general local authority expenditure.
Revaluation Gain	The increase to the fair value of an asset following a valuation.

Term	Explanation
Revaluation Reserve	This reserve represents the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.
Reserves	The accumulation of surpluses over past years that are available and can be spent or earmarked at the discretion of the Council.
Revenue Contributions	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources
Revenue expenditure	Expenditure that the Council incurs on the day to day running costs of its services including salaries and wages, running expenses of premises and vehicles.
Right To Buy	Gives eligible Council tenants the right to buy their property from the Council at a discount, subject to certain criteria.
Settlement	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement
Specific Grants	Grants paid by the Government for a particular service e.g. schools, housing.
Stocks	The amount of unused or unconsumed stocks held in expectation of future use.
Straight Line basis	The method of calculating depreciation via charging the same amount each year over the life of the assets.
Support services	The costs of departments which provide professional and administrative assistance to services.
Tangible fixed assets	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Temporary borrowing/investment	Money borrowed or invested for an initial period of less than one year.

Term	Explanation
Total cost	The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. It includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation.
Treasury Management	The utilisation of cash flows through investments and loans.
Trust Funds	Funds administered by the Council for such purposes as charities, prizes and specific projects.
Usable Capital Receipts	These are capital receipts which are available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
Useful life	The period over which the Council will derive benefits from the use of a fixed asset.
Value Added Tax (VAT)	VAT is an indirect tax levied on most business supplies of goods and services.
Work in progress	The value of work done on an uncompleted project at the balance sheet date.