Rutland County Council

Statement of Accounts 2013/14

Subject to Audit

CONTENTS

Part 1

Accompanying Information

Explanatory Foreword

Introduction by the Assistant Director of Finance, Mr Saverio Della Rocca

I have prepared this Explanatory Foreword to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2014. My intention in producing this report is to give electors, local residents, Council Members, partners, stakeholders and other interested parties the assurance that the public money received and spent has been properly accounted for and that the financial position of the Council is secure.

I have prepared the Explanatory Foreword to give a brief summary of the overall financial position of the Council, to give details of how the Council's budget is spent and financed, and to explain the purpose of the financial statements contained within the Council's accounts.

I have structured the Explanatory Foreword as follows:

1. An Introduction to Rutland County Council
2. Key Issues that have influenced the Financial Position for 2013/14
3. Key Events affecting the Council in 2013/14 and a look ahead to future years
4. Review of financial performance in 2013/14
5. The Statement of Accounts explained
6. Further Information

1. Introduction to Rutland County Council

Rutland County Council is a Unitary Authority. Rutland is a rural county located in the East Midlands, with Lincolnshire, Leicestershire and Northamptonshire being the bordering counties. It covers an area of 151.5 square miles (392.5 square kilometres). In the centre of the county is Rutland Water, Anglian Water's drinking water reservoir, covering an area of 4.19 square miles (10.86 square kilometres), which attracts a great number of visitors to the county each year. The county town is Oakham, which is the administrative centre of the county. The main council offices are located in Oakham and serve the towns and villages of the county from Thistleton in the north to Caldecott in the south and across from Ryhall, Belmsthorpe and Essendine in the east to Whissendine and Belton-in-Rutland in the west.

The population of the county is 37,400 (*source: ONS, 2011 Census*) which has increased by 8% since 2001. The population is projected to grow by a further 12% by 2020. The number of households in the county is 16,309. The demographics for the county show that whilst there is a predicted 12% increase in population by 2020, there will be a larger increase in the over 64 years old age group of 25%. This will have an impact on the services that the Council provide to this age group in years to come.

The area is relatively affluent when compared with other areas of England, with only small pockets of deprivation. This is shown in the overall employment rate of the working age population in Rutland of 78.6% compared to the East Midlands average of 71.7%. The make-up of the county's population shapes the delivery of services by the Council, with the aims and objectives of the Council being set to meet to the needs of its residents.

The Council, as a Unitary Authority, provides all county council and district council services (see the pie chart 'What services have been provided with the money' in Section 4 below for a summary). To deliver these services the Council has 26 elected members (primarily elected in 2011) representing the 16 wards of the county. The political make-up of the Council at the end of the financial year was 16 Conservative Councillors, 3 UK Independence Party Councillors and 7 Councillors who are independent or not members of the above parties. The Council has adopted the Leader and Cabinet model and for 2013/14 Cabinet comprised 6 Conservative members with responsibility for the following Portfolio areas:

- Culture, Community Safety and Housing
- Places (Development and Economy), Finance and Sport
- Children and Young People
- Health
- Places (Environment, Planning and Transport) and Resources
- Adult Social Care

There is a management structure in place to support the work of elected members and is headed by the Senior Management Team. During 2013/14, Members of this team included:

Helen Briggs – Chief Executive
Carol Chambers – Deputy Chief Executive and Director for People*
Debbie Mogg –Director for Resources
Saverio Della Rocca – Assistant Director of Finance (s151 Officer)
Victoria Brambini – Director – Places (Development and Economy)*
Dave Brown – Director – Places (Environment, Planning and Transport)
Wendy Poynton – Assistant Director (People)
Mark Naylor – Assistant Director (People)
Jill Haigh – Senior Manager (Health Wellbeing and Commissioning)

* Both Directors left the Council in late 2013/14 and have been replaced by Paul Phillipson (Places) and Gladys Rhodes-White (People).

2. Key Issues that have influenced the Financial Position for 2013/14

The local government finance settlement set out details of the start-up funding position for the Council under the new arrangements being introduced from 1 April 2013 where a proportion of business rates collected are retained locally and supplemented by Revenue Support Grant (RSG) and some specific grants. RSG also changed as it included a number of local government grants previously administered separately including Early Intervention Grant, Homelessness Prevention Grant and Council Tax Support Grant.

The key outcomes of the settlement were:

- Rutland's spending power, a broad measure used by the Government to make year-on-year comparisons, reduced by 2.1% in 2013/14 compared to 2012/13;
- The Council's allocation for 2013/14 for Revenue Support Grant was £5.849 million and the Business rate baseline was £3.891million;
- The Council was to pay a tariff out of its share of the business rates collected of £760,000 and a levy on any growth in business rate income above the baseline of 16.43% for 2013/14. The tariff and levy are applied on the Council's share of business rates (approx. 49% of the total amount collected).

One of the key financial challenges from the settlement for the Council related to the abolition of council tax benefit and the introduction of a default scheme which local authorities had the option to amend. The Council received an allocation from Government of c£1.4m to finance such a scheme but this was over £400k lower than the amount of council tax benefit previously paid. Council members agreed to put an additional £150k into the local council tax scheme and also set aside a discretionary fund of £100k to help those in greatest need. During the year, the Council has spent over £1.5m on Local Council tax support.

The budget for the year was set assuming that all existing services were to continue, providing the same standards as in the previous year and the associated costs formed the base budget for 2013/14. This was then adjusted for known changes e.g. demand led service pressures. In light of the reductions in funding the 2013/14 the revenue budget included total savings of £1.534m and service pressures of £690k.

The Medium Term Financial Plan (MTFP) for 2013/14 to 2018/19 was approved by Full Council on 18 February 2013. Over the 6 year period it assumed a continuation of the existing services with allowances for service pressures, inflation and planned savings for 2013/14 and beyond all built in. The settlement figures included provisional figures for 2014/15 which were included in the plan. Beyond 2014/15, it was estimated that RSG would continue to reduce, council tax would increase by 2% per annum and business rate growth would be minimal. The council tax freeze grant was taken again in 2013/14. The impact of the capital programme and its financing was included within the MTFP e.g. cost of external borrowing. Taking into account all the known factors the projected financial position at the end of the period of the MTFP remains sound but showed an increasingly challenging position with the Council forecasting to spend more than the resources available in the later years of the plan.

A capital programme for 2013/14 to 2017/18 was approved and was based on known and forecast levels of external funding for capital schemes and an assessment of the resources likely to be available from asset disposals. Any impact on revenue as a result of this was built into the MTFP.

The Treasury Management Strategy 2013/14 was approved by Full Council on 11 March 2013. The Strategy complied with the Local Government Act 2003 and supporting regulations which require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators that ensure that the Council's capital investment plans are affordable, prudent and sustainable. It also set out the treasury strategy for borrowing and the annual investment strategy. The key points to note in relation to the impact on revenue balances for 2013/14 was that the security of capital and the liquidity of its investments were the priority over the return achievable, and that as a result of this, investments were restricted to short term. Secondly because of the economic climate interest rates remained at historically low levels. These two factors combined have resulted in lower levels of interest being earned than in previous years.

Material transactions to be noted for the year relate to pensions for employees of the Council, who may be members of one of two separate pension schemes:

- The Local Government Pension Scheme, administered by Leicestershire County Council; or
- 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 £25.6 million to £34.5 million in the year to 31st March 2014. 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 increased by £0.7 million during the year, at the same time liabilities have also increased by £9.6 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.

3. Key Events affecting the Council in 2013/14 and a look ahead to future years

2013/14 has been a year where the Council has had to deal with a significant amount of new issues, change and uncertainty.

The Council took on new responsibilities in relation to Public Health. The Health and Social Care Act 2012 resulted in the transfer Public Health responsibilities to the Council from 1 April 2013. Public Health services are led by the Director of Public Health and are delivered jointly with Leicester City Council. The Council spent c£1m on public health services targeting areas such as sexual health, substance misuse, smoking and tobacco and children’s health.

The Council also implemented and administered its local council tax support scheme. The new scheme meant that some people had to pay council tax for the first time. The Council has always had a high collection rate and this has continued despite the changes. The Council has also been able to help those in greatest need by setting up a Discretionary Fund. In 2013/2014 it received 197 applications for assistance and made 129 awards at a cost of £15k. The operation of the local council tax scheme has been reviewed by Councillors who have agreed to continue with it unmodified for 2014/15. The Council also took on responsibility for issuing crisis loans/social fund which were previously administered by the Department for Work and Pensions. The Council received 263 applications for assistance under this scheme and made 196 awards at a total cost of £15k.

Further welfare reforms are on the horizon, the key one being the introduction of Universal Credit. This single benefit will replace 6 benefits, including housing benefits paid by local authorities. The move to one monthly payment will have a major impact on our residents who are in receipt of benefits. This change is being gradually introduced over a number of years and will impact on the authority, in that the administration subsidy grant will reduce over time and the Council will have to set up and manage a local support services framework in partnership with other organisations e.g. with the Citizens Advice Bureau. The Council continues to prepare for the implementation of Universal Credit but this is unlikely to happen in the next two years.

Another change implemented from 1 April 2013 was the abolition of the previous Local Government finance system and the introduction of the Business Rate Retention Scheme. The Council now collect Business Rates and, instead of passing them onto central government to redistribute as happened previously, the Council will share circa 50% with central government and retain the residual amount (after sharing some with other major precepting bodies).

In order to manage its financial position the Council has been monitoring business rate levels which are affected by movements of businesses in and out of the county, successful appeals to the Valuation Office, new developments and the award of reliefs. The Council is broadly where it expected to be in terms of business rates income. With the local economy being relatively stable, there has been no significant growth in the year.

From 2013/14, new funding arrangements for education services applied to local authorities. Previously a school becoming an Academy would receive a grant to cover the cost of services previously provided by the local authority. The basis of calculating the amount to transfer has been changed with funding now being transferred on a simple per-pupil basis. This new grant is called the Education Services Grant (ESG) and is given to local authorities and academies according to the number of pupils they are responsible for. The grant is ring-fenced. The change in the basis of funding has an impact on the Council's funding levels as more academies transfer when compared with using the previous method of funding.

During the year several major events took place. Work on the Digital Rutland project, a long planned for introduction of high-speed broadband across the county, began. This is a major capital project, which is being jointly funded by the central government body, BDUK. By the year end the project had enabled fibre broadband services connectivity to 90% of the towns and villages in the Digital Rutland intervention area with 81% currently able to get broadband speeds of 24Mbps and above. The project should be completed by early 2014/15.

The Council continues to develop Oakham Enterprise Park. There are currently a total of 58 available business units at OEP excluding those occupied by RCC and the Active Rutland Hub. This equates to 109k sqft, increasing to around 260k sqft if the events area is included. Of the 109k sqft available, around 65k sqft or 60% is currently let or has firm interest or a lease expected to be signed imminently. 46% are new businesses, with a further 25% being existing businesses relocating from outside Rutland. Interest in the site continues to be strong. The site is attracting extra visitors into the county, some of whom, e.g. TV & film production crews, bring significant business to our hotels, bars and eateries. Work will continue on developing the site in 2014/15.

The Council were successful in bidding for grant funding of £4.016m from the Local Sustainable Transport Fund for the Travel4Rutland project. This enabled the Council to progress three significant schemes; a transport interchange in Oakham, improvements to the cycle infrastructure and a new tourism bus service around Rutland.

In 2013/2014 the Council disposed of the vacated site of the former Parks School and the Day Centre. The capital receipt from the disposal was used to reduce the Capital Financing Requirement and thereby reduce the amounts required to be set aside in future years for debt repayment.

During the year, the Government announced the intention to introduce a new Care Bill. The new Care Bill in England will create a single modern piece of law for adult care and support in England. It will update complex and outdated legislation that has remained unchanged for a long time. It is intended to introduce a care and support system that is clearer, fairer and fit for the future. It focuses on people's wellbeing, supporting them to live independently for as long as possible and providing better care and more control over the care they receive.

The Council has been tracking the implementation of the Care Bill and believes that it will have a substantial impact on its finances and activity levels. The Council will continue to plan for its implementation in 2014/15 and has received some funding to help with preparations.

In late 2013/14, the Government also introduced the Better Care Fund (BCF) which will ultimately lead to a pooled budget with Health from 2015/16. The BCF provides funding to local services to give the elderly and vulnerable an improved health and social system. In Rutland, the Council is working with Clinical Commissioning Groups to determine how funding will be allocated and used to improve outcomes for local people. A BCF plan has been produced and the Council and health bodies will be working over the next year to reduce admissions to hospitals/residential care and improve re-ablement services.

The Council's Medium Term Financial Plan (MTFP) and budget 2014/15 were approved in February 2014 by Full Council. The key message in relation to the MTFP was that the national economic position remains extremely challenging and that funding levels will continue to reduce beyond 2015/16. The 2015/16 provisional settlement continued the pattern of the last two years with significant reductions in funding. In responding to the financial pressure, the Council's approved budget for 2014/15 included c£890k of new savings including £200k for retendering of highways contract.

The Council remains in a strong position to deal with the likely further reduction in central government funding but recognises that it has to make further savings over the life of the MTFP. By 2018/19, it is estimated that General Fund reserves will be in the region of £4.5m assuming that the Council makes planned savings.

One of that projects that will be key to making savings is the PeopleFirst review which is ongoing. The People Directorate accounts for 47% of total service expenditure. It contains our most volatile budgets linked to demand driven services supporting some of the most vulnerable in our community. The Directorate delivers a combination of targeted and universal services many of which are statutory. The PeopleFirst review aims to deliver savings of circa £1.5m and will continue through 2014/15.

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 2014/15.

The Treasury Management Strategy 2014/15 was approved by Full Council on 17 February 2014. Again, as with 2013/14, the Strategy complies with the Local Government Act 2003 and supporting regulations which require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators that ensure that the Council's capital investment plans are affordable, prudent and sustainable. It also sets out the treasury strategy for borrowing and the annual investment strategy. The key points are the same as for 2013/14, and they are to note that in relation to the impact on revenue balances for 2014/15, that the security of capital and the liquidity of its investments were the priority over the return achievable, and that as a result of this investments were restricted to short term. Secondly because of the economic climate interest rates remained at historically low levels. These two factors combined will result in another year of lower levels of interest being earned than in previous years.

During 2013/2014 the council received a further repayment from the Administrators of a loan made to Heritable Bank in 2008 which brought the total recovered to 94% of the original loan. This was a better return than had previously been forecast and enabled the Council to benefit by around £120k in 2013/2014 as it had previously provided for a greater sum to be written off.

4. Review of 2013/14

In February 2013 the Council set out its 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. A brief summary of activity for the year is given below and full details are given in Part 2 of the Statement of Accounts.

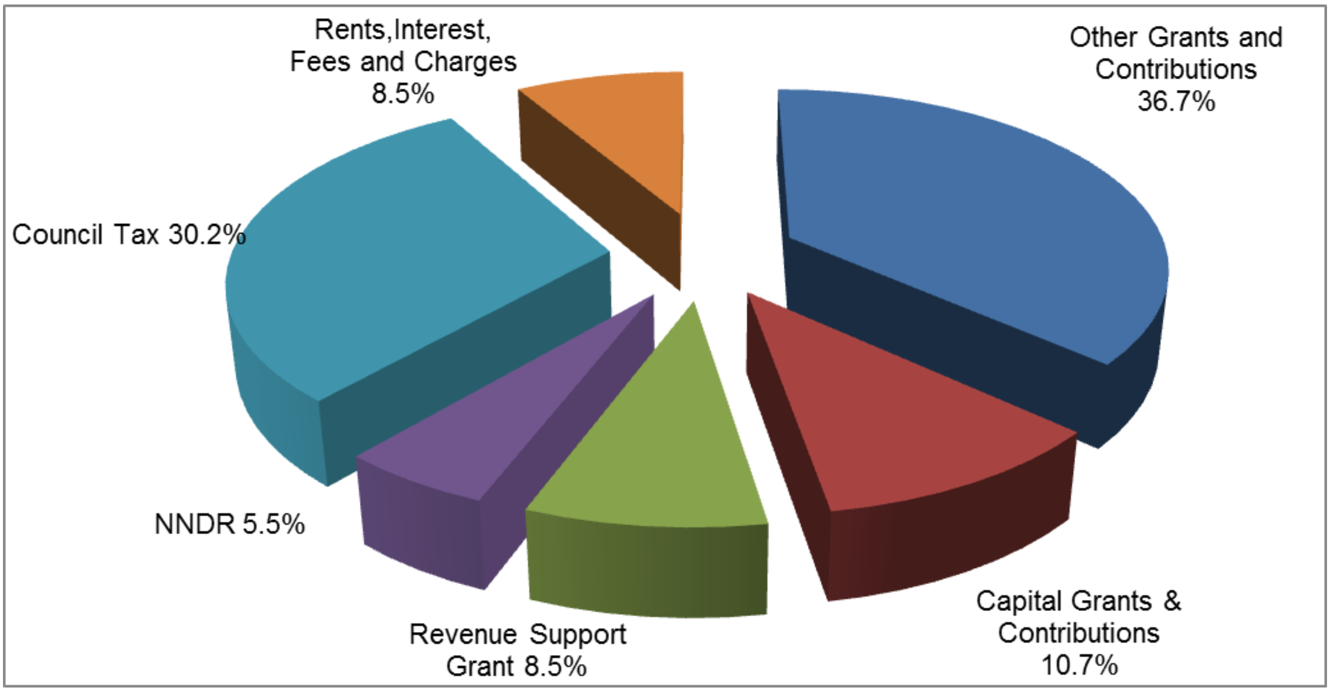
In overall terms, the Council has achieved a deficit of £203k compared to a current budget deficit of £274k. At the Net Cost of Services level the Council's outturn is £30.87m compared to its current budget of £32.13m. This represents an under spend of £1.26m (circa 3.9%). However, a substantial amount of the under spend e.g. Tourism, Digital Rutland and Training is to be carried forward to deliver services in 2014/15.

The final outturn position is broadly in line with what has been reported in previous quarters. At Net Cost of Service level the quarterly forecasts throughout the year have reduced each quarter reflecting the greater likelihood that some budgets would not be spent and would need to be carried forward or savings made in anticipation of savings targets built into the budget in 2014/15. There has also been some slowing down in expenditure arising from the impact of the People First Review where some decisions about recruiting to vacant posts have been put on hold.

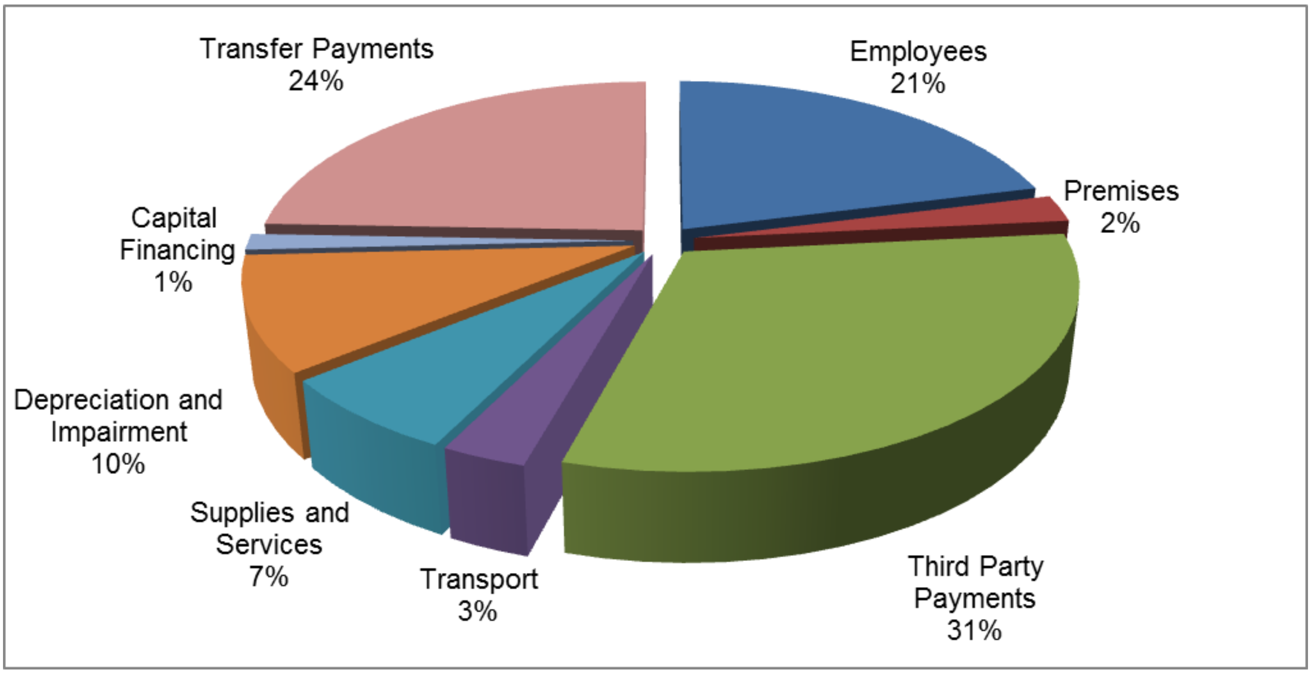
The MTFP as reported to Cabinet in February set out a Net Cost of Service budget for 2014/15 of £30.72m. In this context, the final outturn position is broadly consistent with the MTFP.

The following charts outline where the Council's revenue money came from, how it was spent and on which services during 2013/14.

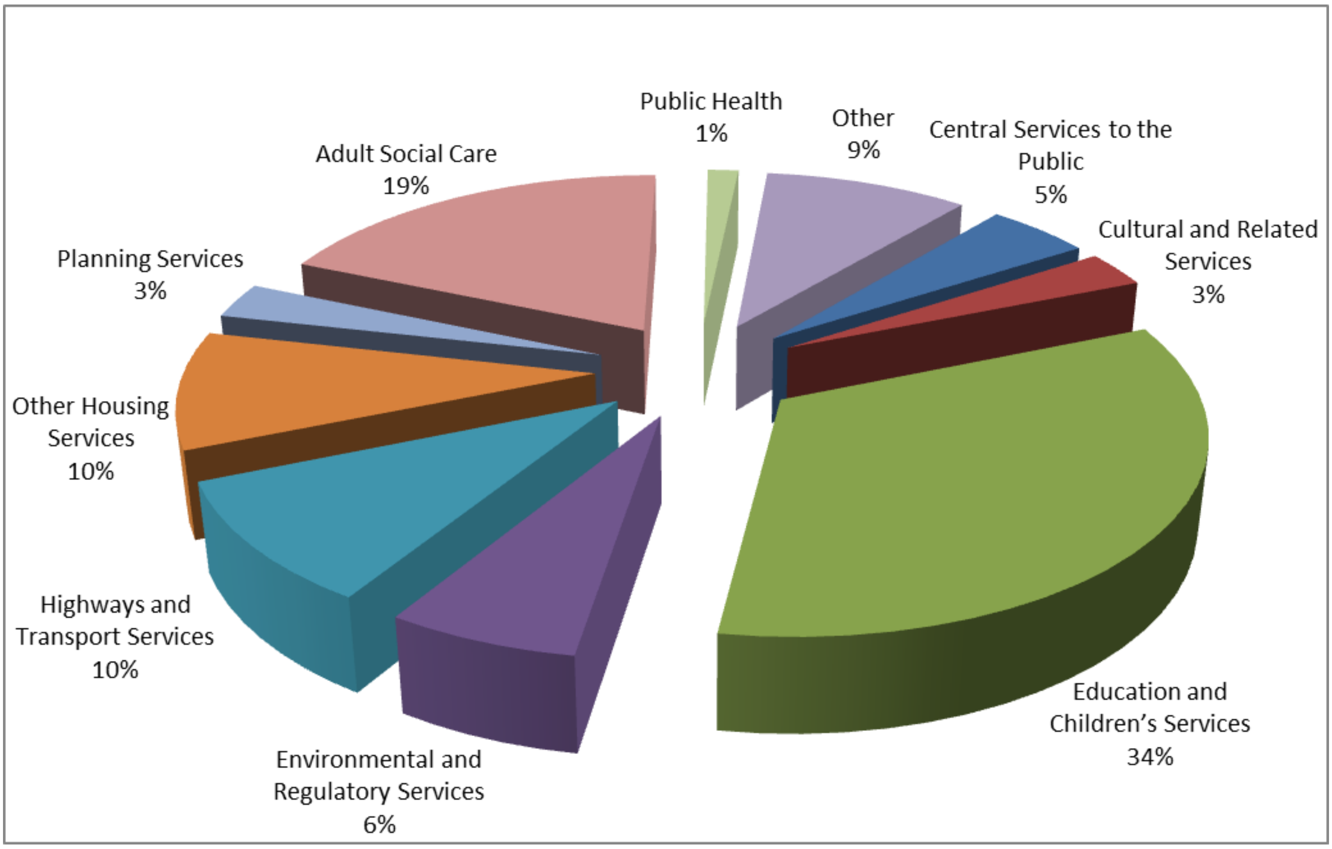
Where the money came from



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 2013/14. The Outturn position is the draft outturn reported to Cabinet on 17 June 2014. The outturn presents a better position than that originally envisaged for two key reasons – net cost of services expenditure was less than anticipated in some areas and additional grants were received towards the year end.

	Revised Budget £000	Quarter 4 Outturn £000	Variance £000
Net cost of Services	32,129	30,870	(1,259)
Other Operating costs	2,056	2,084	28
Net Operating Expenditure	34,185	32,954	(1,231)
Financing	(33,911)	(32,751)	1,160
(Surplus)/Deficit for year	274	203	(71)

Further analysis can be found in Cabinet papers. The Cabinet report Appendix 1 also shows how the outturn position is amended to arrive at the figures reported in the Income and Expenditure Statement. These can be accessed via the link below:
[Cabinet June 2014]

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 £6.4m, compared to the approved capital project budget of £9.7m (i.e. 66% of the approved programme was actually spent) with the balance being carried forward for completion in 2014/15.

Expenditure was funded from external grants and contributions (£5.5m), borrowing (£0.8m), and the remainder (£0.1m) from revenue and S106 contributions.

	Revised Budget	**Actual**	**Variance**
	£000	**£000**	**£000**
Expenditure			
Environmental, Planning & Transport	4,429	3,355	(1,074)
Development & Community	4,331	2,358	(1,973)
Other schemes	906	710	(196)
Total Capital Expenditure	**9,666**	**6,423**	**(3,243)**

5. Statements within the Statement of Accounts explained

The Statement of Accounts for 2013/14 presented in part 2 of this document summarises the Council's transactions for the financial year 2013/14 and its position at the year end of 31 March 2014.

I have provided below an explanation of the purpose of the various statements included within these accounts and the relationship between them.

The Statement of Responsibilities for the Statement of Accounts
This identifies the respective responsibilities of the Council and the Chief Financial Officer (who is responsible for the proper administration of the Council's financial affairs) for the accounts.

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 summarises the Council's financial position at 31 March 2014. 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.

Notes to the Accounts
A comprehensive set of notes are included that provide further information and explanation of items within the primary accounting statements. The notes also outline the accounting policies that the Council has adopted which are consistent with proper practices as defined in Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by International Financial Reporting Standards (IFRS). There have been no significant changes in accounting policies in 2013/2014.

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.

6. Further Information

Further information about these accounts is available from:

Mr Saverio Della Rocca Assistant Director of Finance Rutland County Council Oakham Rutland LE15 6HP sdellarocca@rutland.gov.uk	Mr Andrew Merry Finance Manager - Technical Rutland County Council Oakham Rutland LE15 6HP amerry@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 27 June 2014 by Mr S Della Rocca, Assistant Director, Finance. This is the date up to which events after the Balance Sheet date have been considered.

Annual Governance Statement 2013/14

1. Scope of Responsibility

1.1 Rutland County Council (“the 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. The 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.

1.2 In discharging this overall responsibility, the 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.

1.3 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 the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement. .

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, culture and values by which the Council is managed 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.

2.2 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 the 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 by identifying and implementing measures to reduce the likelihood of the risks being realised and to negate or mitigate their potential impact.

2.3 The governance framework has been in place at Rutland County Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Vision, Aims and Objectives

3.1 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.

3.2 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 the agreed priorities were incorporated in the Medium Term Financial Plan ("MTFP") approved in February 2013 and then kept under review. The MTFP was updated in February 2014. Appropriate provision for continuing to implement the Council's priorities has been included in the budget for 2014/15.

3.3 The key priorities for 2013/14 included:

- Delivering a balanced MTFP;
- Targeting steps to achieve local economic growth;
- Developing a Learning Strategy for the new Education environment; and
- Implementing capital projects, in particular Oakham Enterprise Park and Digital Rutland;

These priorities have been addressed against a backdrop of other significant changes affecting the Council and the county, including the transfer of Public Health to the Authority from the NHS and developing a joint strategy with the NHS for the Better Care Fund, implementation of the strategy of the Ministry of Defence to station Army units in Kendrew Barracks (formerly RAF Cottesmore), and central Government welfare policy developments.

Constitutional Arrangements

3.4 The Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Panels and provides for extensive delegation to officers. 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 2013. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

3.5 The Constitution is kept under review by a working group of members appointed by the Council. The working group recommends amendments to the Constitution to the Council as and when it considers it appropriate. During 2013/14 amendments included revising:

- the delegation to the Employment and Appeals Committee;
- the Contract Procedure Rules;
- the Officer Code of Conduct and associated guidance notes;
- the Development Control Scheme of Delegation; and
- the final acceptance of the Member Code of Conduct.

3.6 The working group also contributed to the following reviews/reports:

- Review of the Council's Governance arrangements including consideration of the return to a Committee system;
- The introduction of audio recording at Full Council meetings; and
- Response to the Local Government Boundary Commission for England on the proposed review of the Council size. The review was subsequently postponed.

3.7 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.

3.8 In early 2013 the Local Government Boundary Commission for England (LGBCE) placed the Council's electoral arrangements on its programme of reviews to be carried out in 2013/14. This resulted from the Register of Electors for 2013, published on 16 October 2012, showing that the councillor: elector ratio diverged from the average for the county by more than 10 per cent in more than 30 per cent of the wards. Five of the 16 wards were in that category at the time.

3.9 The Council subsequently asked the LGBCE to consider the relatively small numbers of electors which had taken these five wards out of the tolerance margin, and the fact that the monthly updating of the electoral register since its publication in October 2012 had restored one of the wards to within the tolerance level. This meant that the Register of April 2013 would not have triggered a review. As a result the LGBCE advised that it would not proceed with a review in its current programme and would continue to monitor electoral variances on an annual basis.

Decision Making Arrangements

3.10 The officer structure of the authority operates with a Chief Executive and three Directorates, titled People, Places and Resources.

3.11 The usual course taken by a matter which requires a decision to be made by members is that it is considered by the relevant Directorate Management Team which will make a recommendation to the Strategic Management Team, which comprises the Chief Executive and Directors, and before the matter is reported, with a recommendation, to the Cabinet or other appropriate body.

3.12 The Director of Resources 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 Assistant Director – Finance and Legal Services before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

3.13 In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, decisions made by officers following express delegation by the Cabinet are recorded in writing.

Performance Management

3.14 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 Directorate 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. All officers have a Performance Development Review with their manager during each year. This process includes reviewing progress against objectives and targets.

3.15 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 framework was updated for 2013/14 to include some revisions to Key Performance Indicators (KPIs) and performance data in relation to Equality and Diversity.

Financial Management

3.16 The Assistant Director - Finance is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.

3.17 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; and
- Must be professionally qualified and suitably experienced.

3.18 The Assistant Director **-** Finance is a member the Council's Strategic Management Team and is actively involved in the key business decisions of the Council. The Assistant 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. It is therefore confirmed that the Council is fully compliant with the the requirements set out in the CIPFA statement (at 3.17 above).

The Council's MTFP covers a five year period. Such an approach to financial planning provides the platform by which the Council can look to deliver public services in accordance with local priorities. Moreover, through 'scanning the horizon' and anticipating necessary change at the earliest opportunity, the Council can plan and react accordingly to not only secure its financial position but to protect services.

3.19 The MTFP was updated throughout 2013/14 and periodically reported to Cabinet. The updated MTFP, following the Local Government Settlement, was presented to each Scrutiny Panel by the Leader and to Council on 17 February 2014 as part of the budget setting process for 2014/15. Members have up-to-date financial information about not only the current but also the medium term outlook for decision making purposes.

3.20 In their Annual Governance report issued in September 2013 the external auditors concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.21 The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted. The Contract Procedure Rules were reviewed during 2013/14 and although the Financial Procedure Rules are considered to be fit for purpose, they will be the subject of an updating review during 2014/15.

Risk Management

3.22 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. 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 them. Risk Management reports are presented to the Audit and Risk Committee. In 2013/14 risk management reports were presented alongside performance reports to Scrutiny Panels.

3.23 Risk Management is an integral part of the Council's decision making processes. All Council papers include reference to risk and set out an impact analysis that helps members and officers understand the impact of decision-making.

Standards of Conduct

3.24 The behaviour of elected members is regulated through a Code of Conduct. The Code changed in July 2012 as a result of provisions in the Localism Act 2011. The previous ethical standards regime was set up by the Local Government Act 2000 and required all members to sign up to a model code of conduct upon election to the Council. This was a national code, approved by Parliament. The Localism Act required councils to adopt their own code of conduct and establish local arrangements for dealing with complaints of a member breaching the code.

3.25 The Council adopted a Code of Conduct and local arrangements which came into effect on 1 July 2012. A Conduct Committee has been set up in place of the former Standards Committee. Two Independent Persons have been appointed by the Council to provide independent support to members and the Monitoring Officer. Training is provided to members periodically to ensure that they are fully aware of their responsibilities. In particular, such training is included as a mandatory element in the induction programme for newly-elected members.

3.26 A register of members' interests is maintained and published on the Council's website. The requirements in this regard also changed in July 2012. Members continue to register and amend their declarable interests as appropriate.

3.27 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.

3.28 The Officer Code of Conduct was updated in 2013/14, along with the development of additional guidance on Gifts and Hospitality, Alcohol and Drugs, and Professional Boundaries. All members of staff were required to sign up to the new code and it is covered as part of the induction process.

Counter-fraud, Whistleblowing and Complaints

3.29 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.

3.30 The Council recognises the importance of customer complaints and welcomes complaints as a valuable form of feedback about its services. There is a formal compliments and complaints procedure in place but it is recognised that this requires some amendments to ensure that it enables the Council to use the information it receives effectively, to help drive forward improvements. This review will be undertaken during the first quarter of 2014/15.

Developing Effectiveness

3.31 Individual officers have a Performance Development Review annually with opportunities for interim reviews. This process includes identifying training and development needs. In addition, members of staff have regular, planned, one-to-one meetings with their manager.

3.32 The Council has developed a Corporate Training Programme that is driven by the Performance Framework. The programme has three strands:

- Mandatory/priority training – essential in order to perform role/deliver service;
- Organisational Development/Corporate Improvement – key themes linked to Leadership Behaviours and Values; and
- Core Skills – Finance, Governance, IT, Health and Safety

3.33 Members are provided with development opportunities through in-house and external training and briefings. There is mandatory training on the Code of Conduct, development control, licensing and appeals. Members are encouraged to express an interest in receiving training on specific topics.

3.34 Budget provision is made for training and development of members and officers.

Service Delivery

3.35 The Council uses a variety of service delivery models. It has a number of key services such as refuse collection which are outsourced. It is also part of many successful partnerships, including a pooled budget with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering Rutland and Leicestershire for Adult Social Care service and the Children's Trust. Along with other authorities in the Welland Partnership, the Council has a shared Internal Audit Service (for which it is the lead authority) 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.

3.36 The cost of the Council's services continues to be relatively low as evidenced by cost profiles produced by the Audit Commission. Nevertheless, the Council continues to review how services should be delivered and this was a key part of its budget deliberation for 2014/15.

Community Engagement

3.37 The Council engages with the local community in different ways. Rutland Together is the Local Strategic Partnership (LSP) for Rutland. The Partnership was established to bring together all of those people and bodies whose work impacts on the lives of local people.

3.38 The partnership has gone through radical changes since its beginning; this is due to political changes over the years which have affected the partnerships direction of travel. Rutland Together is made up of over 50 partners from the public, private and voluntary sectors. Rutland Together allows different organisations in the community to support each other and work together on different initiatives and services to address local issues.

3.39 Examples of engagement in 2013/14 include:

- A business summit held in partnership with the Local Enterprise Partnership to raise aware of the support available locally and to update on Oakham Enterprise Park.
- Digital Rutland roadshow events to speak with local communities about superfast broadband. Web-based engagement to target specific areas and record download speed information.

3.40 The Council also 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.

3.41 All formal meetings are held in public, and the reports and minutes of those meetings are published on the Council's website, unless there are legal reasons for confidentiality. There are opportunities for members of the public to make deputations to, or ask questions at, meetings of the Council, Committees and Scrutiny Panels.

3.42 The Council undertakes public consultation on a range of matters. In 2013/14 this included social care reform including proposed changes to eligibility criteria and charging, Neighbourhood Plans for Edith Weston and Uppingham, as well as annual budget consultation about future levels of council tax.

3.43 In respect of the budget, public consultation took place through the Council website, was promoted through Twitter, and a small display at Rutland libraries. Presentations were also made to local businesses and council employees.

3.44 The Council publishes information relating to all of its expenditure on its website and also publishes a pay policy statement, detailing the remuneration of senior officers.

4. Review of Effectiveness

4.1 The 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.

Internal and Management assurance

Internal Audit

4.2 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 Assistant Director - Finance. 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.

4.3 The Welland Internal Audit Board commissioned RSM Tenon to undertake an independent review of the Internal Audit function in June. The full findings of the review were reported to the Audit and Risk Committee in September. The review acknowledged that improvements were required across a number of areas. In particular:

- Internal Audit needs to use risk based auditing and move away from using expected controls in order that the actual controls being operated are evaluated;
- Internal Audit needs to be clearer in their planning and reporting on what their opinions cover, including a better structure to the scope and limitations of the review.
- Internal Audit should look to proactively seek out every opportunity to add value by providing information on "good practice" operated across the Consortium's client base or to undertake thematic reviews across the Councils.
- The Consortium should improve the transparency of reporting to the Internal Audit Board and Audit Committees with regards the time spent on each assignment and subsequent changes to internal audit plan. This will lead to more focus on outputs and outcomes instead of the current focus on internal audit resource input.

4.4 Since the report was issued, the Welland Internal Audit Consortium put in place an improvement plan and has been implementing recommendations to address the issues raised. In January, good progress on implementation of agreed recommendations was reported to the Audit and Risk Committee. Specific improvements delivered include:

- introduction of new working methodology – incorporating risk based auditing;
- revised audit planning and reporting arrangements;
- revised Committee performance update reports;
- the drafting of a revised Audit Charter that meets in full the requirements of the Standards; and
- drafting of a protocol outlining the respective responsibilities of internal audit and management.

4.5 The Welland Board continues to monitor progress on implementing the Plan, and the impact of that progress, at its six-weekly meetings.

4.6 Members receive an annual report of internal audit activity and approve the audit plan for the forthcoming year. For the year 2013/14, it is the Opinion of the Head of the Welland Internal Audit Consortium that Sufficient Assurance can be taken from the

Council's control environment. Positive assurance was obtained from audits of key financial systems and governance arrangements.

Scrutiny

4.7 During 2013/14 the Scrutiny Panels have considered a number of issues of particular concern to satisfy members that there are robust governance arrangements in place as far as the Council's own services are concerned. These include: development of a Health & Wellbeing Strategy, implications of the Better Care Fund, Housing Allocation Policy, Early Intervention and Prevention progress for the protection of children, the business plan for the Safeguarding Children's Board, Rutland Adult learning Service and the Learning and Achievement Strategy, establishment of a post-16 Free School in the County, development of Neighbourhood Plans, the future of Catmose Centre Swimming Pool, the development of Oakham Enterprise Park, infrastructure for Cycle Routes, provision of Street Lighting, provision of Sports and Leisure Facilities across the county, requests for new Speed Limits, Planning Enforcement Policy, Section 106 contributions to tourism, the impact of Localisation of Council Tax, Discretionary Housing Payments, Non-Domestic Rate Relief Policy, Staff numbers and a Human Resources Review.

4.8 The Scrutiny Commission conducted a review of the work that scrutiny carries out and a number changes were identified which will improve the reporting pathway to Cabinet and Council, the support provided to Chairs and working groups and the presentation of officer reports to Panels. This review did not identify anything of significance; moreover it provided an opportunity to increase process efficiencies.

Performance

4.9 The end of year report was presented to Cabinet on 17 June 2014. In summary, the report states that 82% of KPI targets were achieved and 18% were below target. In all cases, management are reviewing procedures and putting in place actions to improve performance.

Management Assurance

4.10 Senior managers make annual individual written assurance statements relating to any internal control weaknesses they have identified. The outcome of this work has not highlighted any significant control issues.

External Audit, Inspections and Reviews

External Audit

4.11 The Audit and Risk Committee has received and formally debated the Annual Audit and Inspection Letter and External Audit Annual Plan. The Audit Commission in their Annual Governance Report for 2012/13 gave the Council an unqualified audit opinion on the financial statements and value for money conclusion.

Care Quality Commission - **Community Support Services, Brightways**

4.12 An unannounced inspection took place in September 2013. Five standards were considered during the inspection and the service was found to be compliant in all five areas. The five standards considered were:

- Respecting and involving people who use services
- Care and welfare of people who use services

- Safeguarding people who use services from abuse
- Supporting workers
- Assessing and monitoring the quality of service provision

No governance issues were identified as a result of this inspection.

Care Quality Commission - REACH Domiciliary Care Service

4.13 A review of compliance took place in November 2013 and the service was found to be compliant. A further review took place in May 2014, the outcome of which is awaited.

Peer Challenge Team Review

4.14 The Peer Challenge Team Review (PCTR) is part of the East Midlands Sector-Led Improvement Programme for Children's Services. This was a 3-day visit that took place in February 2014 focussing on the areas for improvement identified in the Ofsted inspection 2013. The review identified significant improvements since the Ofsted inspection and found no children left unsafe. The recommendations are now being progressed.

Office of the Surveillance Commissioner (OSC)

4.15 A planned inspection of the Council's arrangements in respect of the Regulation of Investigatory Powers Act (RIPA) took place in November 2013. A number of recommendations were made and a follow up visit was undertaken in May 2014. The follow up visit generated excellent feedback on the Council's arrangements around the use of RIPA; no formal recommendations were made by the Surveillance Inspector

Environment Agency

4.16 The Environment Agency audit the Council's civic amenity sites every 6 to 12 months. The last audit of the Cottesmore site was on the 11th March 2014 and the last audit of the Luffenham site was on the12th August 2013. All issues raised in these audits have been addressed.

Driver and Vehicle Licensing Agency (DVLA)

4.17 The DVLA audit the Council's use of their vehicle database every 2 years. The last audit was in May 2013 and no issues were identified.

Local Government Ombudsman (LGO)

4.18 The Ombudsman's report for the year ended 31 March 2013 showed that seven complaints had been made to her during the year. Due to changes in business processes the LGO was unable to provide more detailed information on the nature or outcome of the complaints in the annual report, however our own records show that there were no new investigations during the year. The average number of complaints during the year for Unitary Authorities was 36, County Councils 54 and District/Borough Councils 10 (recognising considerable population variations between authorities of a similar type).

Summary

4.19 This statement has been considered by the Audit and Risk Committee, who were satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. Significant Governance Issues

5.1 The Council is satisfied that the governance framework provides a reasonable assurance of effectiveness. Any action plans contained in audit reports will be implemented and monitored during 2014/15. There is one significant governance issue highlighted below, which was first reported in 2013/14:

5.2 Of the 26 Members of the Council, 16 comprise a majority Conservative political group, 3 are members of UKIP, and 7 members are not part of a political group. The proper operation of the Council has been affected adversely by the activity of the minority group. In particular, senior officers have had significant time and energy diverted from the leadership and management of the work to deliver the Council's priorities. On 10 January 2013 the Council authorised legal action to seek an injunction to prevent harassment of officers by the Anti-Corruption Group (now UKIP) and its members.

5.3 No action has been taken and there are currently no plans to do so. Recently a Single Point of Contact arrangement in place for each of the 3 members has been removed based on the low level of activity and the nature of contact.

Signed: ____________________ Signed: ____________________

Helen Briggs
Chief Executive

Roger Begy
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 Assistant Director, Finance;
- 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 Assistant Director, Finance 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 Assistant Director, Finance 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 Assistant Director, Finance 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 2 to 69 presents a true and fair view of the financial position of the Council at 31st March 2014 and its income and expenditure for the year ended 31st March 2014.

S. Della Rocca

23rd September 2014

Mr S Della Rocca
Assistant Director, Finance

STATEMENT OF APPROVAL OF STATEMENT OF ACCOUNTS

This statement of accounts was approved by the Audit and Risk Committee at a meeting on 23rd September 2014.

23rd September 2014

Councillor M E Baines
Chairman, Audit and Risk Committee

Movement in Reserves Statement

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	6,692	3,798	609	4,565	**15,664**	32,520	**48,184**
Movement in 2012/13							
Surplus/(deficit) on provision of services	(2,585)	0	0	0	**(2,585)**	0	**(2,585)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(5,166)	**(5,166)**
Total Comprehensive Income and Expenditure	(2,585)	0	0	0	**(2,585)**	(5,166)	**(7,751)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	3,421	0	(609)	(468)	**2,344**	(2,344)	**0**
Net increase/(decrease) before transfers to or from Earmarked Reserves	836	0	(609)	(468)	**(241)**	(7,510)	**(7,751)**
Transfers to or from Earmarked Reserves (Note 7)	737	(667)	0	(70)	**0**	0	**0**
Other Movements	0	(115)	0	0	**(115)**	(272)	**(387)**
Increase/(decrease) in 2012/13	1,573	(782)	(609)	(538)	**(356)**	(7,782)	**(8,138)**
Balance at 31 March 2013	8,265	3,016	0	4,027	**15,308**	24,738	**40,046**

Movement in Reserves Statement

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	8,265	3,016	0	4,027	**15,308**	24,738	**40,046**
Movement in 2013/14							
Surplus/(deficit) on provision of services	3,146	0	0	0	**3,146**	0	**3,146**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(7,700)	**(7,700)**
Total Comprehensive Income and Expenditure	3,146	0	0	0	**3,146**	(7,700)	**(4,554)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(1,920)	687	0	441	**(792)**	792	**0**
Net increase/(decrease) before transfers to or from Earmarked Reserves	1,226	687	0	441	**2,354**	(6,908)	**(4,554)**
Transfers to or from Earmarked Reserves (Note 7)	(1,429)	1,429	0	0	**0**	0	**0**
Other Movements	0	658	0	0	**658**	(281)	**377**
Increase/(decrease) in 2013/14	(203)	2,774	0	441	**3,012**	(7,189)	**(4,177)**
Balance at 31 March 2014	8,062	5,790	0	4,468	**18,320**	17,549	**35,869**

Comprehensive Income & Expenditure Statement

2012/13 Gross expenditure £000	2012/13 Gross income £000	2012/13 Net expenditure £000		2013/14 Gross expenditure £000	2013/14 Gross income £000	2013/14 Net expenditure £000
11,180	(2,512)	8,668	Adult social care	12,246	(2,617)	9,629
5,417	(2,829)	2,588	Central services	3,127	(1,054)	2,073
23,644	(15,123)	8,521	Children's and education services	21,935	(13,443)	8,492
2,011	(642)	1,369	Cultural and related services	1,957	(608)	1,349
4,062	(327)	3,735	Environmental and regulatory services	4,128	(442)	3,686
5,857	(783)	5,074	Highways and transport services	6,505	(1,592)	4,913
6,316	(5,688)	628	Housing services	6,326	(5,784)	542
1,816	(578)	1,238	Planning services	1,934	(721)	1,213
60,303	**(28,482)**	**31,821**	**Cost of continuing operations**	**58,158**	**(26,261)**	**31,897**
0	0	0	Acquired Operations: Public Health	931	(1,044)	(113)
60,303	**(28,482)**	**31,821**	**Cost of services**	**59,089**	**(27,305)**	**31,784**
6,330	0	6,330	Other operating expenditure (Note 8)	4,088	0	4,088
1,808	(168)	1,640	Financing and investment income and expenditure (Note 9)	2,062	(122)	1,940
0	(37,206)	(37,206)	Taxation and non-specific grant income (Note 10)	30	(40,988)	(40,958)
68,441	**(65,856)**	**2,585**	**(Surplus) or deficit on provision of services**	**65,269**	**(68,415)**	**(3,146)**
		(506)	Surplus on revaluation of property, plant and equipment assets			(901)
		1,793	Impairment losses on non-current assets charged to the revaluation reserve			546
		3,879	Re-measurements of the net defined benefit liability (asset)			8,055
		5,166	**Other comprehensive income and expenditure**			**7,700**
		7,751	**Total comprehensive income and expenditure**			**4,554**

Balance Sheet

31 March 2013 £'000		Notes	31 March 2014 £'000
71,996	Property, plant and equipment	11	73,494
2	Long-term investments	13	2
696	Long-term debtors	14	425
72,694	**Long-term assets**		73,921
3,058	Assets held for sale	16	1,723
42	Inventories		46
0	Short term investments		5,000
4,153	Short term debtors	14	6,290
16,273	Cash and cash equivalents	15	12,846
23,526	**Current assets**		25,905
(3,053)	Cash and cash equivalents	15	(1,313)
(5,560)	Short term creditors	17	(5,706)
(48)	Provisions	18	(479)
(8,661)	**Current liabilities**		(7,498)
(21,899)	Long-term borrowing	13	(21,911)
(25,614)	Other long-term liabilities	36	(34,548)
(47,513)	**Long-term liabilities**		(56,459)
40,046	**Net assets**		**35,869**
(15,308)	Usable reserves	19	(18,320)
(24,738)	Unusable reserves	20	(17,549)
(40,046)	**Total reserves**		**(35,869)**

The unaudited accounts were issued on 27 June 2014 and the audited accounts were authorised for issue on 23 September 2014.

Signed: S. Della Rocca 23 September 2014

Saverio Della Rocca
Assistant Director, Finance

Cash Flow Statement

2012/13 £000		2013/14 £000
2,585	Net (surplus) or deficit on the provision of services	(3,146)
(6,320)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5,616)
5,004	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,798
1,269	Net cash flows from operating activities (Note 21)	(6,964)
848	Investing activities (Note 22)	8,519
(500)	Financing activities (Note 23)	132
1,617	**Net (increase) or decrease in cash and cash equivalents**	1,687
(14,837)	Cash and cash equivalents at the beginning of the reporting period (Note 15)	(13,220)
(13,220)	**Cash and cash equivalents at the end of the reporting period** (Note 15)	(11,533)

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 2013/14 financial year and its position at the year-end of 31st March 2014. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 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 borrowings 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 EMPLOYEE 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 in exchange for those benefits 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 4.3% (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 the following 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 as a result of a scheme amendment or curtailment 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. Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority; the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement; this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
iv. The return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
v. 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: charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

vi. 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 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 and Expenditure 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 the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (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 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.

1.11 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all 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, whichever 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 non-current 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.

1.12 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 2013/14 (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 SeRCOP and accounted for within Central Services in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.13 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 an asset 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,
- 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.

For non-property assets that 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 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.

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 non-current 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.

1.14 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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.

The Landfill Allowance Trading Scheme ended after the 2012/13 scheme year with the conclusion of trades on 30 September 2013. The authority is not required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme at this time.

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.

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.

1.15 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.

1.16 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.

1.17 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.

1.18 ACQUIRED OPERATIONS

Where the authority takes over functions from other public sector bodies these are shown within the Comprehensive Income and Expenditure Statement as Acquired Operations in the year that the transfer of responsibility takes place. No comparative information is provided.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 introduces several changes in accounting which will be required for 2014/15:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation
- IAS1 Presentation of financial Statements

Not all of the above standards will apply to the operations of this council and so will obviously not be adopted in these cases.

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.

The critical judgements made in the Statement of Accounts are:

- There is a 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
Academy	Independent of local authority	Off balance sheet
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

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 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 2014 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 2013/14 the authority's actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 3%.
Arrears	At 31 March 2014 the authority had a balance of £6.2 million for all of its short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £0.3 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 £310,000 to be set aside.

Note 5: Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 27 June 2014. 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 2014 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 2013/14.

Note 6: Adjustments between accounting basis and funding basis under regulations

This note details in the table below, 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.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance
The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

Capital Receipts Reserve
The capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2013/14	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£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	1,927			(1,927)
Capital Grants and Contributions Applied	(5,093)	(1,414)	(1,123)	6,955
Revenue expenditure funded from capital under statute	1,184			(1,184)
Amounts of non-current assets written off on disposal or sale	3,475			(3,475)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(1,161)			1,161
Capital expenditure charged against the General Fund	(30)			30
Adjustments primarily involving the Capital Grants Account:				
Capital grants and contributions unapplied	(1,564)		1,564	
Adjustments primarily involving the Capital Receipts Account:				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(1,414)	1,414		
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	12			(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	2,674			(2,674)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,798)			1,798
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income is different from income calculated in accordance with statutory requirements	(131)			131
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	11			(11)

Total Adjustments	(1,920)	0	441	792

2012/13 comparative figures	**Usable Reserves**			**Movement in Unusable Reserves**
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£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	7,800			(7,800)
Capital Grants and Contributions Applied	(2,427)			2,427
Revenue expenditure funded from capital under statute	784			(784)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(1,144)			1,144
Capital expenditure charged against the General Fund	(51)			51
Adjustments primarily involving the Capital Grants Account:				
Capital grants and contributions unapplied credited to the CIES	(1,854)		1,854	
Application of grants to capital financing transferred to the Capital Adjustment Account			(2,322)	2,322
Adjustments primarily involving the Capital Receipts Account:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(609)		609
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	(117)			117
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	588			(588)
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	(130)			130
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	(28)			28

Total Adjustments	3,421	(609)	(468)	(2,344)

Note 7: Transfers to/from Earmarked Reserves

This note includes the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/2014.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Balances held by schools under a scheme of delegation	1,731	(515)	119	1,335	(228)	0	1,107
Invest to Save	457	(27)	0	430	(430)	378	378
Planning Delivery Grant	114	(58)	69	125	(41)	0	84
Internal Audit	34	(17)	0	17	(2)	0	15
Local Strategic Partnerships	409	(323)	0	86	(48)	0	38
Adult Demographic Change	172	0	0	172	0	0	172
Training	45	0	0	45	(45)	50	50
Civic	6	0	0	6	(6)	0	0
Travel for Rutland	0	0	0	0	0	33	33
Business Rates	0	0	0	0	0	207	207
Highways	0	0	0	0	0	308	308
Public Health	0	0	0	0	0	347	347
Risk Management	0	0	0	0	0	2	2
Financial Crisis Support	0	0	0	0	0	10	10
Castle Restoration	0	0	0	0	0	51	51
Section 106	0	0	0	0	(99)	1,183	1,084
Commuted sums	0	0	0	0	(28)	385	357
Winter Maintenance	19	(19)	0	0	0	0	0
Budget Carry Forward	811	(507)	496	800	(800)	1,547	1,547
Total	3,798	(1,466)	684	3,016	(1,727)	4,501	5,790

Note 8: Other Operating Expenditure

2012/13 £000		2013/14 £000
560	Parish council precepts	533
82	External levies	80
5,688	(Gains)/Losses on disposal of Property, Plant & Equipment	3,475
6,330	**Total**	**4,088**

Note 9: Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
1,033	Interest payable and similar charges	1,045
752	Net interest on the net defined benefit liability (asset)	1,137
23	Impairment of Investment	(120)
(168)	Interest receivable and similar income	(122)
1,640	**Total**	**1,940**

Note 10: Taxation and other Non-specific Grant Income and Expenditure

2012/13 £000		2013/14 £000
21,512	Council tax income	20,683
7,016	Non-domestic rates income and expenditure	3,741
	Non-ring fenced revenue grants	
146	Revenue Support Grant	5,841
1,860	Early Intervention Grant	0
0	Small Business Rate Relief	198
0	Education Services Grant	290
1,041	Council Tax Freeze Grant	210
275	Local Services Support Grant	0
84	Transitional Benefit	0
66	Social Care Reform (DoH)	486
259	New Homes Bonus	416
346	PCT Grant	0
16	New Burdens Grant	41
83	Warm Homes	0
18	Local Sustainable transport Fund - Travel4Rutland	0
20	Planning Frontrunners Grant	0
0	Efficiency Support in SPARSE Areas Grant	95
0	Lead Local Flood Authorities	9
0	Extended rights to Free Travel	30
32,742	Carried forward	32,040

2012/13 £000		2013/14 £000
32,742	Brought forward	32,040
0	Local Reform and Community Voices	26
0	Social Fund	28
0	Adoption Grant	68
0	Adult Social Care Data Collections	59
0	Special Educational Needs	75
0	Public Health Grant	234
0	Electoral Reform and Police Commissioners	5
0	Clinical Commissioning Group - Health	167
0	Community Right to Bid	8
0	Community Right to Challenge	9
0	LACSEG	35
0	Sustainable Drainage	24
0	Severe Weather Recovery Scheme	132
0	Section 106 contributions	701
4,464	Capital receipts, grants and contributions	7,347
37,206	**Total**	**40,958**

Council tax income was lower in 2013/2014 compared to the previous year because of the replacement of the Council Tax Benefit scheme with the Local Council Tax Support Scheme.

Note 11: Property, Plant and Equipment

Movement on balances

Movement in 2013/14						
	Other land & buildings £000	Vehicles, plant & equipment £000	Infrastructure £000	Assets under construction £000	Surplus assets £000	**Total** £000
Cost or Valuation						
At 1 April 2013	50,676	2,497	34,598	2,094	63	89,928
Reclassification from Assets Under Construction	2,903			(2,903)		0
Additions	248	63	4,197	809		5,317
Less non -enhancing expenditure	(78)					(78)
Revaluation changes recognized in Revaluation Reserve	125				2	127
De-recognition – other	(3,261)	(764)				(4,025)
Reclassification from Assets Held for Sale	457					457
Reclassification to Surplus Assets	(161)				512	351
At 31 March 2014	**50,909**	**1,796**	**38,795**	**0**	**577**	**92,077**
Accumulated depreciation & impairment						
At 1 April 2013	(11,216)	(1,858)	(4,854)	0	(4)	(17,932)
Reclassification from Assets held for Sale	(107)				(283)	(390)
Reclassification to Surplus Assets	136					136
Depreciation charge in year	(583)	(383)	(991)			(1,957)
Impairment recognized in Revaluation Reserve	(19)					(19)
De-recognition - other	815	764				1,579
At 31 March 2014	**(10,974)**	**(1,477)**	**(5,845)**	**0**	**(287)**	**(18,583)**
Net book value						
At 31 March 2014	**39,935**	**319**	**32,950**	**0**	**290**	**73,494**
At 1 April 2013	39,460	639	29,744	2,094	59	71,996

Comparative Movement in 2012/13	Other land & buildings £000	Vehicles, plant & equipment £000	Infrastructure £000	Assets under construction £000	Surplus assets £000	**Total** £000
Cost or Valuation						
At 1 April 2012	51,994	2,472	32,857	2,562	975	90,860
Reclassification from Assets Under Construction	4,269			(4,269)		0
Reclassification from Investment Properties	2,390		163		63	2,616
Additions	447	25	1,578	3,801		5,851
Less non -enhancing expenditure	(173)					(173)
Revaluation changes recognized in Revaluation Reserve	244					244
De-recognition - other	(5,703)					(5,703)
Reclassification to Assets held for Sale	(2,792)				(975)	(3,767)
At 31 March 2013	**50,676**	**2,497**	**34,598**	**2,094**	**63**	**89,928**
Accumulated depreciation & impairment						
At 1 April 2012	(10,937)	(1,468)	(3,823)			(16,228)
Reclassification from Investment Properties	(196)		(115)		(3)	(314)
Reclassification to Assets held for Sale	493					493
Depreciation charge in year	(583)	(390)	(916)		(1)	(1,890)
De-recognition - other	7					7
At 31 March 2013	**(11,216)**	**(1,858)**	**(4,854)**	**0**	**(4)**	**(17,932)**
Net book value						
At 31 March 2013	**39,460**	**639**	**29,744**	**2,094**	**59**	**71,996**
At 1 April 2012	41,057	1,004	29,034	2,562	975	74,632

Depreciation

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

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

Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is revalued at least every five years on an appropriate basis. All valuations in 2013/2014 have been 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.

	Vehicles, plant, furniture and equipment £000	Other Land & Buildings £000	Total £000
Carried at historical cost	319		319
Valued at fair value at 1 April 2011		18,656	18.656
Valued at fair value at 1 April 2012		18,928	18,928
Valued at fair value at 1 April 2013		1,983	1,983
Total cost or valuation	**319**	**39,567**	**39,886**

Note 12: 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.

During 2013/2014 a collection of exhibits was transferred into the Council's ownership from Oakham School. These have a total insured value of £105,900 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.

Note 13: Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2014 are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Financial liabilities (principal amount)	(21,899)	(21,911)	(5,463)	(6,136)
Accrued Interest	(186)	(186)	0	0
Total Borrowings (Financial liabilities at amortized cost)	**(22,085)**	**(22,097)**	**(5,463)**	**(6,136)**
Loans and receivables (principal amount)	692	420	15,997	20,105
Accrued Interest	0	0	7	17
Total Investments (Loans and receivables at amortized cost)	**692**	**420**	**16,004**	**20,122**

Loans and receivables include War Stock of £2k (shown as Long Term Investments on the Balance Sheet).

The gains and losses recognized 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 amortized cost £000	Loans and receivables £000	£000
Interest expense	1,045	0	1,045
Impairment Gains / Losses	0	(120)	(120)
Total interest payable and similar charges	1,045	(120)	925
Interest and investment income	0	(122)	(122)
Net gain/(loss) for the year	**1,045**	**(242)**	**803**

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 recognized;
- 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 2013		31 March 2014	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
PWLB debt	21,386	29,719	21,386	28,075
Non-PWLB debt	3,683	3,567	1,943	1,838
Total debt	25,069	33,286	23,329	29,913
Trade creditors	2,979	2,979	3,680	3,680
Total financial liabilities	**28,048**	**36,265**	**27,009**	**33,593**
Money market loans < 1 yr	14,852	14,546	16,554	16,554
Trade debtors	2,094	1,644	2,276	2,090
Total loans and receivables	**16,946**	**16,190**	**18,830**	**18,644**

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 14: Debtors

Short-term debtors	31 March 2013 £000	31 March 2014 £000
Central Government bodies	652	2,548
Other local authorities	639	364
NHS bodies	403	881
Schools	49	96
Other entities and individuals	2,410	2,401
Total	**4,153**	**6,290**

Long-term debtors	31 March 2013 £000	31 March 2014 £000
VAT shelter	544	272
Other	152	153
Total	**696**	**425**

Note 15: Cash and cash equivalents

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

31 March 2013 £000		31 March 2014 £000
4	Cash held by the authority	5
1,535	Bank current accounts in credit	137
14,734	Short-term deposits	12,704
16,273		12,846
(3,053)	Bank current accounts overdrawn	(1,313)
13,220	**Total Cash and Cash Equivalents**	**11,533**

Note 16: Assets Held for Sale

The authority has 2 assets held for sale at 31 March 2014 (Barleythorpe Hall and Ashwell Highways Depot). These assets are currently being actively marketed with completion dates being in March 2015 or before.

	Current		Non-Current	
	2013/14 £000	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**
Balance at 1 April 2013	**0**	**0**	**3,058**	**1,000**
Assets newly classified as held for sale				
Property, Plant and Equipment	0	0	0	3,275
Investment Properties	0	0	0	356
Revaluation gains	0	0	792	216
Impairment losses	0	0	(545)	(1,789)
Assets declassified as held for sale				
Property, Plant and Equipment	0	0	(554)	0
Assets Sold	0	0	(1,028)	0
Transfers from non-current to current	0	0	0	0
Balance at 31 March 2014	**0**	**0**	**1,723**	**3,058**

Note 17: Creditors

	31 March 2013 £000	**31 March 2014 £000**
Central Government bodies	591	716
Other local authorities	1,186	691
Schools	252	279
Other entities and individuals	3,531	4,020
Total	**5,560**	**5,706**

Note 18: Provisions

Provision	**Balance at 1 April 2013 £000**	**Additional Provision £000**	**Amounts Used £000**	**Balance 31 March 2014 £000**
Social Care	0	234	0	234
Restructure	8	0	(8)	0
Outstanding Legal Claims	40	0	0	40
Provision for Appeals (NDR)	0	205	0	205
Total Provisions	**48**	**439**	**(8)**	**479**

The Provision for Appeals (NDR) provides for appeals against the rateable valuation set by the Valuation Office Agency (VOA) and represents RCC's share only.

The Social Care provision provides for inflationary uplift against contracts for Social Care providers.

Note 19: Usable Reserves

The authority maintains the following usable reserves at 31 March 2014:

Reserve	**Purpose**	**£000**
General Fund	Statutory requirement for Council to maintain general reserves at appropriate level	8,062
Capital Receipts	Statutory requirement to hold receipts from disposal of assets until utilised to meet capital expenditure or applied to redeem debt	0
Capital Grants Unapplied	Statutory requirement to hold grants received until utilised to meet capital expenditure or applied to redeem debt	4,468
Earmarked Reserves		
Schools	Statutory requirement to maintain balances for schools under a scheme of delegation	1,107
Invest to Save	To finance investment in services that will yield economic or efficiency gains in future years	378
Planning Delivery Grant	To support continued development of Local Planning Framework	84
Internal Audit	To support shared Welland Internal Audit service	15
Local Strategic Partnership	To support future initiatives approved by Rutland Local Strategic Partnership	38
Health	For meeting additional costs resulting from changing adult demographics	172
Training	For future identified training programmes	50
Highways	For future maintenance and improvement of highway infrastructure	308
Travel for Rutland	For future development of sustainable transport in Rutland	33
Business rates	To provide for share of deficit to be met in 2014/2015	207
Risk Management	To improve Council's resilience to future risks	2
Financial Crisis Support	To assist Rutland residents facing financial difficulties	10
Public Health	To provide for future provision of public health services	347
Castle restoration	To provide for restoration works to Oakham Castle	51
Section 106	Set aside from section 106 agreements to meet future service obligations	1,084
Commuted sums	To meet future open space maintenance liabilities	357
Budget carry forward	For expected future increase in demand for services	1,547
Total		**18,320**

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 3.

Note 20: Unusable Reserves

31 March 2013 £000		31 March 2014 £000
23,135	Revaluation Reserve	20,845
26,388	Capital Adjustment Account	30,584
816	Deferred Capital Receipts reserve	544
117	Financial Instruments Adjustment Account	105
(25,614)	Pensions Reserve	(34,545)
157	Collection Fund Adjustment Account	288
(261)	Accumulated Absences Account	(272)
24,738	**Total Unusable Reserves**	**17,549**

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.

2012/13		2013/14	
£000		£000	£000
25,394	**Balance at 1 April**		**23,135**
506	Upward revaluation of assets	901	
(1,793)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(545)	
(1,287)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		356
(972)	Difference between fair value depreciation and historical depreciation	(209)	
0	Accumulated gains on assets sold or scrapped	(2,437)	
(972)	Amount written off to the Capital Adjustment Account		(2,646)
23,135	**Balance at 31 March**		**20,845**

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

2012/13		2013/14	
£000		£000	£000
27,447	**Balance at 1 April**		**26,388**
(6,655)	Charges for depreciation and impairment of non-current assets	(2,984)	
(784)	Revenue expenditure funded from capital under statute	(1,106)	
(173)	Non-enhancing capital expenditure written off	(78)	
0	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(2,447)	
0	Adjusting amounts written out of the Revaluation Reserve	2,646	
609	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	1,414	
2,427	Capital grants and contributions credited to the CIES that have been applied to capital financing	4,469	
2,322	Application of grants to capital financing from the Capital Grants Unapplied Account	1,091	
1,144	Statutory provision for the financing of capital investment charged against the General Fund balance	1,161	
51	Capital expenditure charged against the general Fund balance	30	
(1,059)			4,196
26,388	**Balance at 31 March**		**30,584**

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 place amounts are transferred to the Capital Receipts Reserve.

2012/13 £000		2013/14 £000
1,088	**Balance at 1 April**	**816**
(272)	Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the CIES	(272)
816	**Balance at 31 March**	**544**

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.

2012/13 £000		2013/14 £000
0	**Balance at 1 April**	**117**
117	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(12)
117	**Balance at 31 March**	**105**

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.

2012/13 £000		2013/14 £000
(21,147)	**Balance at 1 April**	**(25,614)**
(3,879)	Re-measurements of the net defined benefit liability (asset)	(8,055)
(2,333)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,674)
1,745	Employers pensions contributions and direct payments to pensioners payable in the year	1,798
(25,614)	**Balance at 31 March**	**(34,545)**

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 and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £000		2013/14 £000
27	**Balance at 1 April**	**157**
130	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	131
157	**Balance at 31 March**	**288**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance 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 balance is neutralised by transfers to/from the Account.

2012/13		2013/14	
£000		£000	£000
(289)	**Balance at 1 April**		**(261)**
289	Settlement or cancellation of accrual made at the end of the preceding year	261	
(261)	Amounts accrued at the end of the current year	(272)	
28	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		(11)
(261)	**Balance at 31 March**		**(272)**

Note 21: Cash Flow Operating Activities

The cash flow for operating activities includes the following items:

2012/13 £000		2013/14 £000
(168)	Interest received	(121)
1,033	Interest paid	1,033

Note 22: Cash Flow Investing Activities

2012/13 £000		2013/14 £000
6,636	Purchase of property, plant and equipment, investment property and intangible assets	6,501
14,852	Purchase of short-term and long-term investments	22,687
(325)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,367)
(15,851)	Proceeds from short-term and long-term investments	(14,852)
(4,464)	Capital Grants Received	(4,450)
848	**Net cash flows from investing activities**	**8,519**

Note 23: Cash Flow Financing Activities

2012/13 £000		2013/14 £000
(630)	Repayment of short and long-term borrowing	0
130	Other payments for financing activities	132
(500)	**Net cash flows from financing activities**	**132**

Note 24: 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 Service Reporting Code of Practice (SeRCoP). 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:

2013/14	People £000	Places £000	Resources £000	Total £000
Fees, charges and other service income	(3,208)	(2,952)	(634)	(6,794)
Government grants	(13,829)	(941)	(5,854)	(20,624)
Total Income	**(17,037)**	**(3,893)**	**(6,488)**	**(27,418)**
Employee Expenses	6,597	3,136	3,089	12,822
Other operating expenses	24,271	10,831	8,437	43,539
Depreciation and support service recharges	530	1,191	206	1,927
Total operating expenses	**31,398**	**15,158**	**11,732**	**58,288**
Net Cost of Services	**14,361**	**11,265**	**5,244**	**30,870**

The comparative figures for 2012/13 are given below:

2012/13 Comparative Figures	People £000	Places £000	Resources £000	Total £000
Fees, charges and other service income	(3,125)	(2,318)	(728)	(6,171)
Government grants	(14,791)	(78)	(7,581)	(22,450)
Total Income	**(17,916)**	**(2,396)**	**(8,309)**	**(28,621)**
Employee Expenses	7,515	2,583	3,186	13,284
Other operating expenses	26,020	9,431	10,115	45,566
Depreciation and support service recharges	2,587	1,489	(2,545)	1,531
Total operating expenses	**36,122**	**13,503**	**10,756**	**60,381**
Net Cost of Services	**18,206**	**11,107**	**2,447**	**31,760**

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the CIES.

	2012/13	2013/14 £000
Net expenditure in the Directorate analysis	31,760	30,870
Amounts in the CIES not reported to management in the analysis	79	914

Cost of services in the CIES	31,839	**31,784**

Reconciliation to Subjective analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or deficit on the Provision of Services included in the CIES.

2013/14	Service Analysis £000	Not reported to management £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(6,794)	0	0	(6,794)	0	(6,794)
Interest and investment income	0	0	0	0	(122)	(122)
Income from Council Tax	0	0	0	0	(24,424)	(24,424)
Exceptional Pension Costs	0	0	0	0	0	0
Government grants and contributions	(20,624)	0	0	(20,624)	(16,534)	(37,158)
Total Income	**(27,418)**	**0**	**0**	**(27,418)**	**(41,080)**	**(68,498)**
Employee expenses	12,822	(249)	0	12,573	0	12,573
Other service expenses	43,539	60	0	43,599	0	43,599
Support Service recharges	0	0	0	0	0	0
Depreciation, amortization and impairment	1,927	1,184	0	3,111	3,475	6,586
Interest payments	0	0	0	0	2,062	2,062
Precepts and Levies	0	(81)	0	(81)	613	532
Total Operating Expenses	**58,288**	**914**	**0**	**59,202**	**6,150**	**65,352**
Surplus or Deficit on the provision of services	**30,870**	**914**	**0**	**31,784**	**(34,930)**	**(3,146)**

2012/13 Comparative Figures	Service Analysis £000	Not reported to management £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(6,171)	74	(6,097)	0	(6,097)
Interest and investment income	0	0	0	(168)	(168)
Income from Council Tax	0	0	0	(21,512)	(21,512)
Exceptional Pension Costs	0	0	0	752	752
Government grants and contributions	(22,450)	(103)	(22,553)	(15,694)	(38,247)
Total Income	**(28,621)**	**(29)**	**(28,650)**	**(36,622)**	**(65,272)**
Employee expenses	13,284	(289)	12,995	0	12,995
Other service expenses	45,566	397	45,963	0	45,963
Support Service Recharges	(366)		(366)		(366)
Depreciation, amortization and impairment	1,897	0	1,897	5,692	7,589
Interest payments	0	0	0	1,033	1,033
Precepts and Levies	0	0	0	642	642
Total Operating Expenses	**60,381**	**108**	**60,489**	**7,367**	**67,856**
(Surplus) or Deficit on the provision of services	**31,760**	**79**	**31,839**	**(29,255)**	**2,584**

Note 25: Pooled Budgets

Under the terms of a Section 75 Agreement (Health Act 2006), the authority's social services department has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2013/14 was £7.00 million (£5.00 million 2012/13) of which Rutland County Council contributed £0.07 million (£0.09 million 2012/13). Total expenditure from the pool was £7.00 million (£5.00 million 2012/13).

The department has also entered into a pooled budget arrangement for the deprivation of liberty services with Leicestershire County Council and Leicester City Council. Leicestershire County Council acts as the host authority. The total income to the pool for 2013/14 was £0.344 million (£0.273 million 2012/13) of which Rutland County Council contributed £0.035 million (£0.016 million 2012/13). Total expenditure from the pool was £0.632 million (£0.537 million 2012/13). Rutland County Council's Share of the overspend is £0.005 million which will be invoiced in 2014/15.

Note 26: Members' Allowances

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

	2012/13 £000	**2013/14 £000**
Basic allowances	97	97
Special responsibility allowances	75	69
Expenses	13	12
Total	**185**	**178**

Note 27: Officers' Remuneration

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

2013/14	Note	Salary (Including fees & allowances)	Expense Allowances	Pension Contributions	Total for 2013/14
Post Title		£	£	£	£
Chief Executive	1	117,609	1,117	20,463	139,189
Director of Peoples	2	97,053	937	14,081	112,071
Senior Manager: Health, Wellbeing & Commissioning		52,974	141	9,376	62,491
Assistant Director of Peoples - 2		60,363	511	10,684	71,558
Assistant Director of Peoples - 1		58,522	1,576	10,358	70,456
Director of Places (Development & Economy)	3	67,500	285	11,948	79,733
Director of Places (Environment, Planning & Transport)	4	67,500	451	11,948	79,899
Director of Resources	5	65,776	1,433	11,646	78,855
Assistant Director, Finance	6	35,742	164	6,326	42,232
Director of Public Health	7	6,856	0	960	7,816
Total		**629,895**	**6,615**	**107,790**	**744,300**

Note 1 - The annual salary for the Chief Executive includes Returning Officer fees.
Note 2 - The Director of Peoples post became vacant on 17th February 2014. An interim Director was employed through an agency at a cost of £5,960 in 2013/14.
Note 3 - The Director of Places (Development & Economy) was filled on the 1st October 2013. The occupant of this post was the previous Operational Director of Places (Asset Management) Management until the 30th September 2013, this post is no longer included in the Establishment.

Note 4 - The Director of Places (Environment, Planning & Transport) was filled on the 1st October 2013. The occupant of this post was the previous Operational Director of Places (Operations) Management until the 30th September, this post is no longer included in the Establishment.
Note 5 - The Director of Resources returned from maternity leave on 3rd April 2013. This was a phased return, with the return to full-time being with effect from 9th September. Interim support was provided through an agency at a cost of £49,470 in 2013/14.
Note 6 - The post of Assistant Director of Finance was filled on 11th September 2013.
Note 7 - The post of Director of Public Health is shared with Leicestershire County Council. Rutland County Council pays a proportion (4.91%) of the total remuneration.

2012/13 Comparative figures	Note	Salary (Including fees & allowances)	Expense Allowances	Pension Contributions	Total for 2013/14
Post Title		£	£	£	£
Chief Executive		115,484	338	19,749	135,571
Director of Peoples		90,000	1,493	15,300	106,793
Assistant Director of Peoples		60,027	1,004	10,205	71,236
Director of Places	1	21,970	308	3,735	26,013
Operational Director of Places (Asset Management)	2	60,944	2,138	10,360	73,442
Operational Director of Places (Operations)	3	58,697	2,404	9,936	71,037
Director of Resources	4	63,589	550	12,342	76,481
Total		**470,711**	**8,235**	**81,627**	**560,573**

Note 1 - The Director of Places post fell vacant on 15th June 2012. It is no longer included in the Establishment.
Note 2 - The Operational Director of Places (Asset Management) was filled on the 26th September 2012. The occupant of this post was the previous Head of Asset Management until the 25th September 2012,this post is no longer included in the Establishment.
Note 3 - The Operational Director of Places (Operations) was filled on the 26th September 2012. The occupant of this post was the previous Head of Operations until the 25th September 2012, this post is no longer included in the Establishment.
Note 4 - The Director of Resources commenced maternity leave on 3rd December 2012. An interim Strategic Director was employed through an agency at a cost of £59,160 in 2012/13.

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

Remuneration band	2012/13 Number of employees	2013/14 Number of employees
£50,000 to £54,999	2	1
£55,000 to £59,999	0	0
£60,000 to £64,999	0	1
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0

Note 28: External Audit Costs

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

2012/13 £000		2013/14 £000
86	Fees payable with regard to external audit services carried out by the appointed auditor for the year	86
6	Fees payable for the certification of grant claims and returns for the year	8
12	Fees payable in respect of other services provided by the appointed auditor during the year	7
104		**101**

The Fees payable with regard to external audit services carried out by the appointed auditor for the year are shown before any rebate paid by the Audit Commission £11k 13/14 (£11k 12/13).

Note 29: Dedicated Schools Grant

The authority's expenditure on schools is funded primarily by grant i.e. the Dedicated Schools Grant (DSG) which is provided by the Department for Education. An element of DSG is recouped by the Department to fund academy schools within the council's area.

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 2011. 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 maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central expenditure £000	Individual Schools' Budgets £000	Total 2013/14 £000
Final DSG for 2013/14 before Academy Recoupment			25,505
Academy Figure Recouped for 2013/14			(13,880)
Total DSG after Academy recoupment for 2013/14	3,201	8,424	11,625
Brought Forward from 2012/13	139	21	160
Agreed initial budgeted distribution for 2013/14	3,340	8,445	11,785
In year Adjustments	0	0	0
Final budgeted distribution for 2013/14	**3,340**	**8,445**	**11,785**
Less Actual Central expenditure	(2,262)	0	(2,262)
Less Actual ISB deployed to schools	0	(9,254)	(9,254)
Carry forward to 2014/15	**1,078**	**(809)**	**269**

Note 30: Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

Credited to Taxation and Non Specific Grant Income

	Awarding Body	2012/13 £000	2013/14 £000
Early Intervention Grant	DfE	1,860	-
Council Tax Freeze Grant	CLG	1,041	210
Local Services Support Grant	CLG	275	-
New Homes Bonus	CLG	259	416
PCT Grant	DoH	346	-
Transitional Benefit	CLG	84	-
Social Care Reform	DoH	66	486
New Burdens Grant	CLG	16	41
Warm Homes	DoH	83	-
Local Sustainable Transport Fund	DfT	18	-
Planning Frontrunners Grant	CLG	20	-
Small Business Rate Relief	CLG	-	198
Education Services Grant	DfE	-	290
Efficiency Support in SPARSE Areas Grant	CLG	-	95

Lead Local Flood Authorities	DeFRA	-	9
Extended rights to Free Travel	DfT	-	30
Local Reform and Community Voices	CLG	-	26
Social Fund	DoH	-	28
	Awarding Body	**2012/13**	**2013/14**
		£000	**£000**
Adoption Grant	DoH	-	68
Adult Social Care Data Collections	DoH	-	59
Special Educational Needs	DfE	-	75
Public Health Grant	234	-	234
Electoral Reform and Police Commissioners	CLG	-	5
Clinical Commissioning Group - Health	DoH	-	167
Community Right to Bid	CLG	-	8
Community Right to Challenge	CLG	-	9
LACSEG	DfE	-	35
Sustainable Drainage	DeFRA	-	24
Severe Weather Recovery Scheme	DfT	-	132
Total credited to Taxation and Non Specific Grant Income		**4,068**	**2,645**

Credited to Services

	Awarding Body	2012/13 £000	2013/14 £000
School Sport Partnership	DfE	41	63
Housing Benefit Subsidy	DWP	5,559	5,724
Council Tax Benefit Subsidy	DWP	1,861	-
Benefits Administration Subsidy	DWP	161	146
Young Apprenticeship	LSC	81	-
Adult Learning Various	LSC	676	71
Dedicated Schools Grant	DfE	12,777	11,932
Unaccompanied Asylum Seeking Children	HO	87	75
Special Needs Post 16	LSC	97	-
Transforming Social Care	DOH	214	-
Schools with Service Children	MOD	149	-
Public Health Department	DOH	-	1,044
Changing Lives	DCLG	-	78
Travel 4 Rutland	DFT	-	728
Carbon Management, Energy & Climate Change	DECC	-	93
Community Learning	SFA	-	176
Adult Skills Budget	EFA	-	316
Train To Gain	SFA	-	30
Revenues	DCLG	-	64
Community Covenant	MOD	-	56
Oakham Castle Restoration Project	HLF	-	74
Tresham Contribution	Other	439	-

Other Grants	Various	411	205
Total credited to Services		**22,553**	**20,875**

Capital Grants and Contributions

	Awarding Body	2012/13 £000	2013/14 £000
Capital Maintenance	DfE	403	325
Basic Need Grant	DfE	517	103
Highways Capital Maintenance	DfT	1,428	1,814
Highways Integrated Transport	DfT	210	210
Devolved Formula Capital	DfE	77	65
LEP Loan Grant	LEP	116	-
Travel for Rutland	DfT	-	1,989
Disabled Facilities Grant	DCLG	-	84
Digital Rutland	BDUK	-	820
Health - Dementia	DoH	-	409
LASSL (DH)	DoH	-	73
S106 Contributions	Various	238	701
Other Grants and Contributions	Various	1,475	87
Total Capital Grants and Contributions		**4,464**	**6,680**

Revenue Grants and Contributions Receipts in Advance

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned. The balances at the year-end are as follows:

	Awarding Body	2012/13 £000	2013/14 £000
Troubled Families	DfE	20	-
Renaissance Grant	DfE	51	-
Learner Support	DfE	14	-
Winter Pressures	DOH	16	-
Community Covenant Grant	MOD	65	41
School Sport Partnership	SGOP	26	49
Transport Strategy & Public Transport	DfT	-	16
Comenius Regio	DfE	-	21
Museums	AC	-	28
Other Grants	Various	-	28
Total Revenue Contributions Received in Advance		**192**	**183**

There were no Capital Grants and Contributions Receipts in Advance.

Note 31: 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 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 30.

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 2013/14 is shown in Note 26. During 2013/14, no significant works and services were commissioned from 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 make an annual declaration of any and 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 2013/14 that are considered material and would require their disclosure.

Note 32: 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.

2012/13 £000		2013/14 £000
25,803	*Opening Capital Financing Requirement*	*25,886*
	Capital Investment	
5,852	Property, Plant and Equipment	5,316
784	Revenue expenditure funded from capital under statute	1,106
6,636		6,422
	Sources of Finance	
(1,104)	Capital receipts	(1,414)
(4,254)	Government grants and other contributions	(5,561)
(1,195)	Sums set aside from revenue (includes direct revenue financing & MRP)	(1,190)
(6,553)		(8,165)
25,886	*Closing Capital Financing Requirement*	*24,143*
	Explanation of movement in the year	
83	Increase/(reduction) in the underlying need to borrow	(1,743)

Note 33: Leases

Authority as Lessee

Operating leases:
The authority has acquired property, vehicles and equipment by entering into operating leases.

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

	31 March 2013 £000	31 March 2014 £000
Not later than one year	69	62
Later than one year and not later than five years	194	199
Later than five years	271	266
Total	**534**	**527**

The expenditure charged across the authority including Cultural and Environmental Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2013 £000	31 March 2014 £000
Minimum lease payments	85	68
Total	**85**	**68**

Authority as Lessor

Operating leases:
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 2013 £000	**31 March 2014 £000**
Not later than one year	129	105
Total	**129**	**105**

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 34: Termination Benefits

The authority terminated the contracts of 5 employees in 2013/14 incurring liabilities of £41,000. The total cost above has been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. All of the individual exit packages included above were below £20,000 each.

In addition, there were six settlement agreements in 2013/14, totalling £81,800. This included £37,800 relating to the restructuring to create the new Corporate Support Services team.

There was one compromise agreement during 2012/13, amounting to £22,500.

In 2012/13 the contracts of 8 employees were terminated as part of the on-going reorganisation at that time, incurring liabilities of £45,000.

Note 35: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of 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 a multi-employer 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 2013/14 the authority paid £0.49 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£0.59 million and 14.1% 2012/13). 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 36: Defined Benefit Pension Schemes

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 post-employment schemes:

- the Local Government Pension Scheme (LGPS) administered locally 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
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 35 above).

There have been several changes to IAS 19 Employee Benefits which impact on local authority accounts for 2013/14. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted. The expected return on assets was previously credited to CIES, however from 2013 this has been replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). The effect of the change to IAS19 on the income statement to 31 March 2013 would have been an increase of £0.258m had the standard been applied for 2012/13. As this is not a material amount, in accordance with our accounting policies (see Note 1.4), the 2012/13 comparators have not been restated.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported 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 post-employment/retirement benefits is reversed out of the General Fund 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:

2012/13 £000	**Local Government Pension Scheme**	2013/14 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service cost comprising:	
1,611	Current service cost	2,050
0	Past service costs	19
(30)	(Gain)/loss from settlements	(532)
	Financing and Investment Income and Expenditure:	
1,010	Net interest expense	1,137
2,591	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**2,674**
	Movement in Reserves Statement	
(846)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(876)
1,745	**Actual amount charged against the General Fund balance for pensions during the year (employers' contributions to the scheme**	**1,798**

Other post-employment benefits charged to the CIES

2012/13 £000		2013/14 £000
3,939	Return on Plan Assets	(793)
0	Actuarial gains and losses arising on changes in demographic assumptions	(1,539)
(7,655)	Actuarial gains and losses arising on changes in financial assumptions	(2,317)
95	Other	(3,406)
(3,621)		**(8,055)**

Assets and liabilities in relation to retirement benefits

Reconciliation of fair value of scheme assets:

31 March 2013 £000		31 March 2014 £000
41,501	Assets as at 1 April	47,696
	Interest Income	2,123
2,256	Expected return on assets	
3,681	Re-measurement gains and losses	(793)
(21)	Assets distributed on settlements	(543)
1,745	Employer contributions	1,798
581	Contributions by scheme participants	576
(2,047)	Benefits paid	(2,420)
47,696	**Assets as at 31 March**	**48,437**

Reconciliation of the present value of scheme liabilities:

31 March 2013 £000		31 March 2014 £000
62,648	Funded liabilities as at 1 April	73,310
1,611	Current service cost	2,050
3,008	Interest cost	3,260
581	Contributions by scheme participants	576
7,560	Re-measurement gains and losses	7,262
(51)	Liabilities extinguished on settlements	(1,075)
(2,047)	Benefits paid	(2,420)
0	Past service costs	19
73,310	**Funded Liabilities 31 March**	**82,982**

Pensions assets and liabilities recognised in the Balance Sheet

31 March 2013 £000		31 March 2014 £000

73,310	Present value of the defined benefit obligation	82,982
(47,696)	Fair value of plan assets	(48,437)
25,614	Sub-total	34,545
0	Other movements in the liability (asset)	0
25,614	**Net liability arising from defined benefit obligation**	**34,545**

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.

Scheme history

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Fair value of assets in the Local Government Pension Scheme	43,519	43,420	41,501	47,696	48,437
Present value of liabilities	(77,157)	(60,139)	(62,648)	(73,310)	(82,982)
Surplus/(deficit) in the scheme	(33,638)	(16,719)	(21,147)	(25,614)	(34,545)
Re-measurement gains/(losses) on assets	9,519	(2,557)	(2,768)	3,939	(793)
Re-measurement gains/(losses) on obligations	(152)	2,917	(560)	(7,560)	(7,262)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £34.545 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 2015 is £1.648m.

Basis for estimating assets and liabilities

31 March 2013		31 March 2014
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
20.9 years	Men	22.2 years
23.3 years	Women	24.3 years
	Longevity at 65 for future pensioners:	
23.3 years	Men	24.2 years

25.6 years	Women	26.6 years
2.50%	Rate of inflation	2.80%
5.10%	Rate of increase in salaries	4.60%
2.80%	Rate of increase in pensions	2.80%
4.50%	Rate for discounting scheme liabilities	4.30%
31 March 2013		31 March 2014
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 2013 £000		31 March 2014 £000
1,752	Equity Securities	1,780
	Debt Securities	
590	- UK	599
3,410	- Other	3,463
1,872	Private Equity	1,901
4,459	Real Estate	4,528
	Investment Funds and Unit Trusts	
24,048	- Equities	24,421
3,139	- Bonds	3,187
1,629	- Hedge Funds	1,655
2,160	- Commodities	2,194
1,082	- Infrastructure	1,099
2,473	- Other	2,511
1,082	Cash and Cash Equivalents	1,099
47,696	Total Assets	48,437

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 2014**.**

	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %
Differences between the expected and actual return on assets	21.87	-5.89	-6.67	7.72	-1.64

Experience gains and losses on liabilities	-0.2	4.85	-0.89	0.13	-8.75

Full details of the Leicestershire County Council scheme can be found at:
[The Pension Fund and Finance - Pension Fund - Leicestershire County Council]

Note 37: Contingent Liabilities

The Council agreed in 2010 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 received from the former operator of the college. The contribution covers the cumulative operational deficit expected in the first few years, based on a 7 year business plan. The actual financial results in the first three academic years showed lower deficits than in the original business plan and the total payments under the guarantee amounted to £635,641 at 31st March 2014. However the contingent liability will remain until the 7 year period has ended in 2017.

The former local authority insurer, Municipal Mutual Insurance (MMI) ceased taking new business in 1992. MMI believed they could achieve a solvent run-off and have continued to pay claims. However as part of the arrangement to do this councils entered into a Scheme of Arrangement whereby, if it was necessary to invoke the Scheme councils would be liable to pay a percentage of all claims paid on their behalf since 1992 and any future claims (i.e. a levy), but only for a cumulative value of claims above £50,000. The Scheme had to be invoked in November 2012 when it became apparent that MMI could no longer achieve the solvent run-off. Rutland County Council's claims paid to date have not yet exceeded the £50,000 threshold and therefore the Council is not liable to pay a levy at present. However this levy (currently set at 15% of the claims value) will be due, when and if, the threshold is exceeded. As the levy also applies to future claims paid, and these cannot be foreseen, there is a potential that a levy may become payable in the future.

Note 38: 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. To date repayments of £940,174 have been received which 94.02% of the outstanding amount leaving £60,665 outstanding. The latest progress report issued by the administrators Ernst and Young in 2014 has indicated that the receipt of any further dividends is dependent on a legal trial with an unknown likely outcome.

It has been agreed with the Assistant Director Finance (S151) that the amount outstanding has been written off in the 2013-14 accounts and will be included in the future accounts if funds are received.

The authority does not generally allow credit for its trade debtors, such that £0.271m of the £2.28m 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	66
More than three months	205
Total	271

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	630
More than fifteen years	21,386

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

Period	£000
Between one and two years	286
Between two and three years	11
More than three years	123

All trade and other payables are due to be paid in less than one year and trade debtors totalling £2.28 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 2012/13 would be:

Effect	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(217)
Impact on Income and Expenditure Account	(217)

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 14 above.

Price 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 39: 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**
2013/14	6	(11)	187	0
2012/13	6	(8)	190	0

Note 40: Acquired Operations

On 1st April 2013 responsibility for Public Health functions were transferred from the National Health Service to local authorities under the Health and Social Care Act 2012. The Council became responsible for improving the health of the local population and for public health services including most sexual health services and services aimed at reducing drug and alcohol misuse.

Part 3

Supplementary Financial Statements

Collection Fund

2012-13				2013-14		
Council Tax £000	**Business Rates £000**	**Total £000**		**Council Tax £000**	**Business Rates £000**	**Total £000**
			Income			
(23,050)	-	(23,050)	Council Tax Receivable	(23,971)	-	(23,971)
(1,828)	-	(1,828)	Transfers from General Fund - Council Tax Benefits	-	-	-
-	(9,278)	(9,278)	Business Rates Receivable	-	(9,756)	(9,756)
-	-	-	Local Council Tax Support - General Fund Contribution	(15)	-	(15)
(24,878)	**(9,278)**	**(34,156)**		**(23,986)**	**(9,756)**	**(33,742)**
			Expenditure			
			Receipts, Demands and Shares			
-	-	-	- Central Government	-	4,814	4,814
21,350	-	21,350	- Rutland County Council	20,219	4,718	24,937
2,527	-	2,527	- Leicestershire Police	2,393	-	2,393
776	-	776	- Leicester, Leicestershire & Rutland Fire Authority	803	96	899
			Charges to the Collection fund			
-	9,145	9,145	- Payment to National Pool	-	-	-
39	-	39	- Write off of Uncollectable Amounts	32	21	53
-	80	80	- Increase / Decrease in Bad Debt Provision	-	11	11
-	-	-	- Increase / Decrease in Provision for Appeals	-	418	418
-	53	53	- Cost of Collection	-	53	53
-	-	-	- Transitional Protection Payments Payable	-	48	48

2012-13				2013-14		
Council Tax £000	**Business Rates £000**	**Total £000**		**Council Tax £000**	**Business Rates £000**	**Total £000**
			Distribution of Previous Year's Estimated Collection Fund Surplus			
31	-	31	- Rutland County Council	125		125
4	-	4	- Leicestershire Police	15		15
1	-	1	- Leicester, Leicestershire & Rutland Fire Authority	5		5
24,728	**9,278**	**34,006**		**23,592**	**10,179**	**33,771**
150	-	150	Surplus / (Deficit) in Year	394	(423)	(29)
31	-	31	Surplus / (Deficit) at 1 April - Brought Forward	181		181
181	**-**	**181**	**Surplus / (Deficit) at 31 March - Carried Forward**	**575**	**(423)**	**152**

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 amount collectable, less certain reliefs and other deductions, is redistributed to Central Government (50%), Leicestershire Fire Authority (1%) with the remaining 49% is retained by the Council.

The total non-domestic rateable value as at 31 March 2014 was £25.940 million (the equivalent figure for 31 March 2013 was £25.857 million).

The standard NNDR multiplier for 2013/14 was 47.1 pence (2012/13 – 45.8 pence). The small business multiplier for 2013/14 was 46.2 pence (2012/13 – 45.0 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 2013/14 is calculated as follows:

2012/13 Band D equivalent	**Band**	**Number of chargeable dwellings (adjusted for dwellings where discounts apply)**	**Ratio**	**2013/14 Band D equivalent**
3.61	A (with disabled relief)	4.50	05:09	2.50
838.74	A	891.41	06:09	594.27
2,489.77	B	2,748.12	07:09	2,137.43
2,192.20	C	2,336.41	08:09	2,076.81
2,056.70	D	2,032.93	09:09	2,032.93
2,461.93	E	1,998.93	11:09	2,443.14
2,075.55	F	1,437.06	13:09	2,075.75
1,905.02	G	1,158.68	15:09	1,931.14
242.50	H	122.27	18:09	244.53
14,266.02				13,538.50
410.04	Ministry of Defence contribution in lieu of council tax			410.04
(142.66)	Allowance for non-collection			(187.23)
14,533.40	**Council tax base**			**13,761.31**

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 2013/14 were as follows:

2012/13 £000		**2013/14 £000**
21,350	Rutland County Council	20,219
2,527	Leicestershire Police Authority	2,393
776	Leicester, Leicestershire & Rutland Fire Authority	803
24,653		**23,415**

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 2013 the estimated surplus at 31 March 2013 was £144,900 (31 March 2012 surplus £35,944) which will be distributed as follows.

2012/13 £000		**2013/14 £000**
31	Rutland County Council	125
4	Leicestershire Police Authority	5
1	Leicester, Leicestershire & Rutland Fire Authority	15
36	**Total**	**145**

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 2014 is attributed between the authority and the major precepting bodies as follows:

2012-13				2013-14		
Council Tax £000	**Business Rates £000**	**Total £000**		**Council Tax £000**	**Business Rates £000**	**Total £000**
			Attributable share of surplus / (deficit)			
-	N/A	-	Central Government	-	(212)	(212)
157	N/A	157	Rutland County Council	496	(207)	289
18	N/A	18	Leicestershire Police	59	-	59
6	N/A	6	Leicester, Leicestershire & Rutland Fire Authority	20	(4)	16
181	**-**	**181**		**575**	**(423)**	**152**

Part 4

Auditor’s Report

Independent auditor's report to the members of Rutland County Council

We have audited the financial statements of Rutland County Council for the year ended 31 March 2014 on pages 2-69. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Assistant Director, Finance and auditor

As explained more fully in the Statement of Responsibilities, the Assistant Director, Finance, is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director, Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Glossary

Academy Schools	Academy schools are directly funded by central government (Department for 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. This is also known as the Financial Year.
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 through recognising, measuring, and presenting assets, liabilities, gains, losses and changes to reserves.
Accrual	A sum included in the final accounts attributable to that accounting period, but for which payment has not been made or income received by 31 March.
Actuarial Gains & Losses	These are for a defined benefit pension scheme, the changes in actuarial deficit or surplus 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
Asset	An item having a value to the local authority in monetary terms, categorised as either: - a current asset – these can be readily converted into cash - a non-current asset – these are assets that have a use and value for more than one year 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.
Bad (and doubtful) debts	These are debts which may be uneconomical to collect or unrecoverable
Balance Sheet	This shows all balances including non-current and net current assets, liabilities and reserves at the end of the accounting period.
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.
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 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 requirement to ensure that over the medium term the net borrowing by the local authority will only be for capital purposes. The amount represents the underlying need to borrow.
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 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.
Code of Practice on Local Authority Accounting (UK)	Publication produced by CIPFA that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

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.
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 representatives and duties arising from public accountability.
Council Tax	A charge on each residential property to finance a proportion of a local authority’s expenditure.
Council Tax Benefit	Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their Council Tax bills.
Council Tax Discounts and Exemptions	Discounts are available to people who live alone and for homes that are not anyone’s main home. Council Tax is not charged for certain properties, known as exempt properties, like those only lived in by students.
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 Department for Education 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 on 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.
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.
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	These 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.
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 the 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. In order to comply with accounting standards, the Council undertakes annual reviews of its assets to identify any that are impaired.
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 any source, 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 or rental 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.
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 (4% of the Capital Financing Requirement) 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 value in 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.

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.
Post Balance Sheet Event	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
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.
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.
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 (REFCUS).	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.
Revaluation Reserve	This reserve represents the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.
Reserves	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.
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.
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 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.
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.
Unusable Reserves	These are reserves 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’.
Usable Reserves	The accumulation of surpluses over past years that are available and can be spent or earmarked at the discretion of the Council 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).
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 non-current 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.