

Rutland County Council

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Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Catmose, Oakham, LE15 6HP on **Tuesday, 31st October, 2023** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Mark Andrews
Chief Executive

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at www.rutland.gov.uk/my-council/have-your-say/

A G E N D A

6. STATEMENT OF ACCOUNTS 2021/22

To receive Report No.163/2023 from the Strategic Director for Resources.
(Pages 3 - 162)

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DISTRIBUTION

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Councillor K Payne (Chair)

Councillor R Ross (Vice-Chair)

Councillor S Lambert

Councillor R Payne

Councillor R Powell

Councillor L Stephenson

Councillor A West

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AUDIT AND RISK COMMITTEE

31 October 2023

STATEMENT OF ACCOUNTS 2021/22

Report of the Strategic Director of Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Resources	
Contact Officer(s):	Kirsty Nutton, Strategic Director of Resources (s.151 Officer)	01572 758159 knutton@rutland.gov.uk
	Andrew Merry, Head of Finance	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Committee:

1. Delegates approval the Statement of Accounts for 2021/22 in Appendix 1 to the Chair of the Audit and risk committee in line with section 3.
2. Approves the Annual Governance Statement for 2021/22 in Appendix 2
3. Notes the Draft Audit Findings Report in Appendix 3.

1 PURPOSE OF THE REPORT

1.1 The purpose of this report is for Audit and Risk Committee to:

- Receive and note Draft Audit Findings Report - for the year ended 31 March 2022 from Grant Thornton LLP on behalf of the Council.
- To receive and approve the 2021/22 Annual Governance Statement
- To delegate approval of the audited Statement of Accounts 2021/22.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The production of a timely Statement of Accounts, which is free from material

error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the publication of the draft Statement of Accounts ahead of the statutory deadline, and also through the completion of a successful external audit process.

- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2021/22 Code of Practice (the Code) and are followed in the preparation of the 2021/22 Statement of Accounts.
- 2.3 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit and Risk Committee.
- 2.4 The draft Statement of Accounts was shared with the chair of the Audit Committee and Cabinet member for Finance prior to publication on the Councils Website on 31 July 2022. This published draft has subsequently been the subject of external audit by Grant Thornton LLP.
- 2.5 Following the external audit, completed to date, some amendments have been made to the draft Statement of Accounts. Amendments with regards to the Property, Plant and Equipment (PPE) note and the Pensions note and are included in the final version of the Statement of Account as agreed by Grant Thornton.
- 2.6 The updated Statement of Accounts following the audit is attached in Appendix 1 for review by the Audit Committee.
- 2.7 There are a number of sections within the Statement of Accounts as follows:
 - a) **Narrative Report** – provides a fair, balanced and understandable guide
 - b) **Statement of Responsibilities** - sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
 - c) **Comprehensive Income and Expenditure 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
 - d) **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council
 - e) **Balance Sheet** - shows the value of the assets and liabilities recognised by the Council as at 31 March 2022.
 - f) **Cash Flow Statement** - summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2021/22.
 - g) **Notes to the Financial Statements** - the various statements are supported by technical notes.
 - h) **The Collection Fund & Notes** - shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates.

- i) **Statement of Accounting Policies** - outlines the accounting policies adopted by the Council.
- j) **Annual Governance Statement** - identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

3 POSITION ON THE 2021/22 ACCOUNTS

- 3.1 The extraordinary position on the 2021/22 accounts where they are still open 17 months after the period end (31 March 2022) has resulted in more adjustments being required that would happen in a normal period. To date these have been restricted to the national issues around Infrastructure Assets and Pensions.
- 3.2 There has now been another change that will need reflecting in the 2021/22 accounts as they are still open. The change relates to a change in an accounting policy relating to Section 106 developer contributions and accounting for these as creditors rather than reserve balances.
- 3.3 As this is a material change in accounting policy the change must be made retrospectively, which would normally require restatement of the opening balances in the 2022/23 accounts, which has been completed and can be shown in the 2022/23 draft accounts. However, as the 2021/22 are still open the Council need additional time to make the adjustment in the 2021/22 accounts.
- 3.4 The main audit work has been completed and the draft finding report from the auditors is included in appendix 3 with the only resulting work relating to the retrospective treatment outlined in 3.3 outstanding. As a result and to not delay the closing of the accounts the Council is asking that delegation is given for the signing of the accounts to minimise the risk of further changes being required.

4 CONSULTATION

- 4.1 The Accounts and Audit Regulations 2015, The Local Audit and Accountability Act 2014, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, The Accounts and Audit (Amendment) Regulations 2021 gave members of the public the opportunity to inspect the accounts between the 01 June 2023 to 12 July 2023. There were no requests to view or comment on the accounts to the Council.

5 ALTERNATIVE OPTIONS

- 5.1 The Audit and Risk committee could choose not to delegate the approval the Statement of Accounts 2021/22 and the Annual Governance Statement. However, doing so would heighten the risk of more changes being required and further delays to the signing of the accounts.

6 FINANCIAL IMPLICATIONS

- 6.1 There are no direct implications associated with approving the Statement of Accounts.

7 LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of

the Audit and Risk Committee to approve the Councils Annual Statement of Accounts and Annual Governance Statement.

8 DATA PROTECTION IMPLICATIONS

8.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

9 EQUALITY IMPACT ASSESSMENT

9.1 An Equality Impact Assessment (EqIA) has not been completed as this report does not impact on Council policies and procedures.

10 COMMUNITY SAFETY IMPLICATIONS

10.1 There are no community safety implications

11 HEALTH AND WELLBEING IMPLICATIONS

11.1 There are no health and wellbeing implications.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

12.1 This report presents the audited Statement of Accounts for the financial year 2021/22, highlights some of the key matters, and asks the Audit and Risk Committee to approve them in line with its constitutional responsibility.

13 BACKGROUND PAPERS

13.1 [Draft Annual Governance Statement 2021/22 – 115/2022](#)

13.2 [External Audit Plan 2021/22 – 85/2022](#)

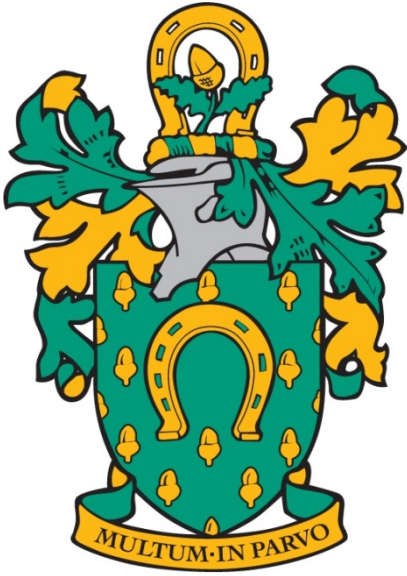
14 APPENDICES

14.1 Appendix 1 – Statement of Accounts 2021/22

14.2 Appendix 2 – Annual Governance Statement

14.3 Appendix 3 – Draft Audit Findings Report

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.



Rutland County Council

Statement of Accounts

2021/22

For further copies of this document or questions about it please contact:

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Rutland County Council

Statement of Accounts 2021/22

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Narrative Report

Introduction to the Accounts by the Strategic Director for Resources, Mr Saverio Della Rocca

I have prepared this Narrative Report 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 2022. 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 in the short term. This report also gives a brief summary of the overall financial position of the Council, and details of how the Council's budget is spent and financed.

The Narrative Report is structured as follows:

1. An Introduction to Rutland County Council
2. Financial Performance
 - a. Impact of Coronavirus
 - b. Key Issues that have influenced the Financial Position for 2021/22
 - c. Key Events affecting the Council in 2021/22 and a look ahead to future years
 - d. Review of financial performance in 2021/22
3. Principal Risks and Uncertainty; and
4. Further Information

1. Introduction to Rutland County Council

Rutland County Council is a Unitary Authority 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 in the west.

The population of the county is 40,476 (source: ONS, 2020 mid-year estimates). The demographics for the county show that 25.5% of the County is 65 or over. 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 75.4% compared to the East Midlands average of 74.1%. 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 3 below for a summary). As of 1st April 2021, the political composition of the Council's Groups was as follows: 15 Conservative, 6 Independent and Green, 3 Liberal Democrats and 3 non-aligned. There were a number of changes to the political composition of the Council throughout the year, and these are covered below.

- In May at the Annual Council Meeting, Councillor Jeff Dale (non-aligned Independent) was elected to serve as the Council's Chairman. Councillor Nick Begy (Conservative) was chosen to continue as Vice-Chairman.
- A number of changes to Cabinet roles were confirmed at Annual Council. Councillor Ian Razzell joined the Council's Cabinet as Portfolio Holder for Planning. Councillor Karen Payne's portfolio was expanded to include Governance and Performance.

- In November, Councillors Alan Walters and Paul Ainsley, Ward Members for Oakham Northeast, and Oakham Northwest respectively, left the Conservative group to sit as non-aligned Independents.
- Councillor Walters also left Cabinet and was replaced by Councillor Samantha Harvey on 13 December 2021 with Councillor Gale Waller (Liberal Democrat) becoming the Chair of Adults and Health Scrutiny.
- At this time Cllr Ian Razzell's portfolio was expanded to become Portfolio Holder for Planning, Highways and Transport. These services were transferred from Councillor Lucy Stephenson's portfolio, which at the same time took over responsibility for Leisure from the Health, Wellbeing and Adult Care Portfolio.

The Annual Council Meeting in May saw significant changes after Council Leader Oliver Hemsley stood down. He was replaced by Lucy Stephenson (Conservative), who was elected by a majority of 18 Councillors. As the newly elected Leader of Rutland County Council, Cllr Stephenson named an alliance Cabinet made up of the following Elected Members:

- Cllr Marc Oxley (Independent and Green Group)
- Cllr Rosemary Powell (Independent and Green Group)
- Cllr Karen Payne (Conservative)
- Cllr David Wilby (Conservative)
- Cllr Sam Harvey (Non-Aligned Independent)

There is a management structure in place to support the work of elected members and is headed by the Strategic Management Team (SMT). At the end of the year, members of this team included:

1. Mark Andrews – Chief Executive
2. Saverio Della Rocca – Strategic Director for Resources (s151 Officer)
3. Marie Rosenthal – Interim Monitoring Officer (replaced by Angela Wakefield in June 2022)
4. Jon Morley – Strategic Director Adult Services and Health
5. Dawn Godfrey – Strategic Director Children Services
6. Penny Sharp – Strategic Director for Places

During the year, the Council had a Corporate Plan covering the period 2019 – 2024. The Corporate Plan serves as a roadmap for what the Council wants to achieve during its current four-year term. The Plan was developed following the local elections in May 2019.

In the latter part of the year, the Council developed a new Corporate Strategy following the Future Rutland Conversation (FRC). As at the end of June 2022, the Strategy was out for public comment and was formally approved in July 2022 by Full Council.

2. Council Performance

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 Service Teams and Corporate Leadership Team on a regular basis and is formally reported to Scrutiny Panels and Cabinet throughout the year.

During 2021/22, quarterly reports on corporate plan performance KPIs were switched to a mid-year and year-end report.

The Council's annual report can be found here

<https://rutlandcounty.moderngov.co.uk/documents/s23328/Report%20No.%201062022%20-%20Annual%20Report%202021-2022%20-%20Appendix%20A.pdf>

3. Financial Performance

a) Impact of the Coronavirus on the Council

From mid-February 2020, the Council joined the Leicestershire, Leicester, and Rutland (LLR) Local Resilience Forum (LRF) in preparing its response to the Coronavirus pandemic. The Council also invoked the emergency delegation in the Constitution (section 11.10.5) which allows the Chief Executive “to take any urgent action necessary in the event of a civil emergency and deal with matters relating to civil protection/emergency planning arising from the Council’s powers and duties under the appropriate legislation.” and the provisions in the Financial Procedure Rules (section 4.6) which allows the Chief Finance Officer to put in place alternative financial systems in the case of a major incident.

As part its response, the Council quickly established a Rutland Strategic Coordinating Group (RSCG) comprising of senior management and a Rutland Tactical Coordinating Group (RTCG) involving key officers from across the Council.

During 20/21 these corporate arrangements were still in place but by the end of the financial year and the start of 21/22 meetings were less frequent (weekly rather than several times a week) as the vaccination roll out progressed, Council services started to move back towards ‘normal’ and the Government had announced a four-stage plan for the lifting of lockdown measures. However, it was still necessary to maintain social distancing, wear face masks and follow the various other safety measures that were needed to keep Covid 19 in check and the Council’s services were still heavily involved in Covid 19 delivery including:

- Hosting the Rutland vaccination centre in the Council Chamber.
- Running the testing centre at Oakham Enterprise Park which was still open for lateral flow tests.
- Operating a temporary booking system for the HWRC until the full service was re-opened in July.
- Re-opening the libraries from April 12th.
- Organising the Community Collect network which was in place with tests available from local libraries.
- Operating a business grants scheme with the remaining balance of the Additional Restrictions Grant (ARG) allocation of £202,000.
- Re-opening the Museum and Castle in May and introducing longer opening hours in July.
- Winding down testing at Oakham Enterprise Park from July and moving to a more community-focused testing service, with more testing kits distributed direct to residents through local volunteer organisations and community groups.
- Work closely with health colleagues to facilitate hospital discharge and reduce the pressure on NHS services alongside direct contact with vulnerable people, to make sure they are receiving the right support.
- Continuing to operate a self-isolation payments scheme for those affected.
- Running a new grant scheme following the onset of Omicron.

The impacts and consequences from the pandemic on the Council are difficult to separate out from Brexit, the onset of the war in Ukraine and other issues impacting the economy. The Council noted this as a key risk on its strategic risk register but has since deleted it and is tracking impacts through monitoring service challenges. The two key risks can be categorised as follows:

- **Financial** – the Council received funding to deal specifically with the response, some of which it was required to passport to providers. In general, funding has been sufficient to cover any short-term costs. In terms of key income generating services then income was impacted but towards the end of March income levels started to return to pre Covid 19 levels. The collection rate for council tax has held up but additional support was provided to the most financially vulnerable. Business rates income has not dropped as many businesses enjoyed rate relief and again this will be monitored into 22/23. Towards the end of the year, we began to see significant inflationary pressures (energy, staff costs from National Living Wage and National insurance rises) from

suppliers as the cost-of-living crisis kicked in but it is difficult to attribute this solely to the pandemic.

- **Operational impacts** – with key services originally stopped and resources diverted, officers have now reinstated key services and are catching up on backlogs. To date, it has been difficult to point to significant impacts, but the position continues to be monitored.

b) Key Issues that have influenced the Financial Position for 2021/22

The Council set a balanced revenue budget of £42.6m in 2021/22. The balanced budget used £1.109m of General Fund reserves and £1.29m of earmarked reserves. This was positive in the context of ongoing financial pressures and a better position than originally envisaged. The Local Government funding settlement was consistent with the Spending Review 2020 with the Councils spending power increasing, largely as a result of council tax increases and not due to additional government funding.

The Council maintained a rolling capital programme with new schemes added in 2021/22 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.

The impact of the capital programme and its financing was included within the Medium-Term Financial Plan (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 remained 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.

The Treasury Management Strategy (TMS) 2021/22 and Capital Investment Strategy (CIS) were approved by Full Council in February 2021. The Strategies were developed to comply with the [Prudential Code for Capital Finance in Local Authorities](#), the Treasury Management: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) and Minimum Revenue Provision - Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The Capital Investment Strategy sets out the Council's policy in respect of treasury and non-treasury investments including its appetite and approach to commercial investments.

Material transactions to be noted for the year related 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 decreased from £57.6 million to £42.1m in the year to 31 March 2022. 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. The value of assets has increased by £11.2 million during the year, but at the same time liabilities have decreased by £4.2 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.

c) Key Events affecting the Council in 2021/22 and a look ahead to future years

In May possible savings, reviewed by Scrutiny Committees were recommended to Full Council following Cabinet approval, covering three main areas: 1) Administrative savings: reducing overheads by changing working practises to create a saving of £185,000; 2) Revised Council offer: A revision to the Council's offer to the public or staff, creating a saving of £422,000; 3) Changes in Funding Assumptions: No change to the Council's offer but proposed changes to how some services are funded to create a saving of

£604,000. The impact of these changes was to reduce reliance on reserves as far as possible both in 21/22 and future years.

Rutland County Council appointed Mark Andrews to the role of Chief Executive Officer (Head of Paid Services) in early 2021/22. Mr Andrews was appointed as Rutland's Interim Chief Executive on 29 June 2020. Following a 12-month interim period, the Council's Chief Officer Appointment Committee was convened on 30 April 2021 and recommended that he be appointed permanently to the role of Chief Executive. This appointment was officially confirmed by unanimous vote at a Special Full Council meeting on Monday 7 June.

On 2 July, a series of ten reports was published summarising all the comments, feedback and survey responses gathered from the Future Rutland Conversation that had taken place from April to June. Residents and other stakeholders were invited to review the findings and provide any further feedback on what had been shared, even if they did not take part in the initial conversation. This work was the starting point for the development of the Corporate Strategy.

Rutland County Councillors approved the permanent appointment of two Strategic Directors at a meeting of the Full Council on Monday 5 July. Councillors voted to appoint John Morley to the position of Strategic Director for Adults and Health, and Dawn Godfrey to the position of Strategic Director for Children and Families.

At Full Council in July Rutland County Council considered its response to proposals from the Boundary Commission for England (BCE) that would change the number of parliamentary constituencies in the East Midlands. Elected Members attending Full Council were asked to note the BCE proposals, which – if implemented – would see the total number of parliamentary constituencies in the region increase from 46 to 47.

In August Rutland County Council launched MyAccount, a new way for local people to access a variety of Council services online, quickly, and easily. My Account makes it easier for our residents to get in touch with us, 'self-serve' and manage their transactions, and find the information they are looking for.

At a special Full Council meeting in September Councillors voted to withdraw Rutland's Submitted Local Plan from examination. The decision was taken after Councillors voted not to revisit a previous decision made in March to reject a Housing Infrastructure Fund (HIF) grant of £29.4million – funding needed to support the development of a new garden community (including infrastructure) at St George's Barracks. The impact of this decision was significant financially and non-financially: a) it put the Council in a position where there was no agreed land supply allowing the potential for uncontrolled development; and b) it meant the Council had to set aside c£1.5m to develop a new Local Plan.

In November the Council Published a new Shared Vision for Rutland containing long-term goals for the future of the County as part of the Future Rutland Conversation. The Future Rutland Conversation was first launched in April as an opportunity for the people of Rutland to have their say on how they would like the future of the County to look. Families, businesses, and visitors were asked to comment and share their views on a range of important issues, from the environment and transport to health and education. The Future Rutland Conversation would eventually lead to a new Shared Vision for Rutland.

The Council's Cabinet met on 16 November to consider a range of options to meet the future leisure and well-being needs of local communities. Following careful consideration of all the available options, Cabinet approved the commencement of a new project to look at opportunities for county-wide leisure provision in partnership with the Rutland Local Sports Alliance. Cabinet also approved the development of plans for a swimming pool with or without dry leisure facilities at a new site. The plans will be developed to an initial design stage only, in order to build a viable case for a new pool in Rutland, noting that progress beyond this point can only take place when at least 90% of the capital funding needed to build the pool becomes available from external sources, and if the new provision can be delivered with no ongoing running costs to the Council.

Following the withdrawal of the Local Plan in November, the Council created a cross-party working group of councillors representing each of Rutland County Council's three political groups as part of the early

stages of developing a new Local Plan for the area. The cross-party group is chaired by the Chief Executive, Mark Andrews, and will act as an advisory board to the officers developing and delivering the Local Plan. It will meet on a monthly basis to provide guidance and monitor the implementation of the Local Plan process, as well as identifying any issues that may arise and discussing solutions.

In February the Council was working to develop a new Corporate Plan that will cover the period from 2022 to 2027. The Corporate Plan will set out the Council's main commitments, including targets for key services over the next five years.

In March Ofsted published the results of its focused visit to review children's services in Rutland. The visit took place in January 2022 as part of Ofsted's normal inspection framework, with inspectors sent to look at Rutland County Council's arrangements for children in care. In a formal letter detailing the inspectors' findings, Ofsted confirmed that the Council is maintaining a clear focus on protecting children and improving the quality of social work practice in the county. Inspectors also noted that senior leaders within Rutland's Children's Services know their services well and have succeeded in improving care for children and young people despite the challenges of the Covid 19 pandemic.

The Council's budget for the coming financial year was approved by Elected Members at a special Full Council Meeting on 28 February. The budget was balanced without significant use of reserves which was considered a significant achievement at that time.

d) Review of Financial Performance in 2021/22

In February 2021, 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 Council set two key financial priorities for 21/22:

- **budget performance** - the Council sought to reduce its budget deficit in year and to deliver an underspend on its budget whilst still achieving its corporate objectives. Any underspend would boost General Fund reserves and give the Council more time to address its future financial gap.
- **reduce reliance on reserves** - the Council sought to close the financial gap to no more than £1m in 22/23 and ultimately clear the gap in the longer term.

2021/22 continued to be affected by the pandemic and assessing financial performance was a challenge with underlying assumptions in budgets subject to greater volatility. The Council continued to face rising costs during the pandemic, ranging from providing additional support to Care providers and other key suppliers, providing support to individuals, self-isolation compensation and family support.

One of the key challenges in the year related to recruitment which had a major impact on financial performance. The Council continued to receive grants from Government for additional duties and difficulties in recruitment and bringing in short term support meant that duties were delivered in house with grants going unspent. Recruitment issues equally affected core services with teams experiencing higher vacancy rates – this issue was sector wide and not just a Rutland problem.

Alongside Covid 19 pressures, there have been service pressures with commissioned transport costs spiralling due to increased demand, and commercial property returns continuing to underachieve against budget.

Despite the challenges, the Council continued its savings work (as highlighted earlier) and did deliver savings which would impact 21/22 and beyond.

The Council's financial outturn report, presented to Cabinet on 14th June 2022 summarised performance in the year. The Council did achieve both of its objectives. The management accounts showed a surplus position of £3.062m compared to a budgeted deficit position of £320k, which represents an under spend of £3.382m. The overall position represented a combination of factors:

- c£1.081m of planned savings. With savings already built into the 22/23 budget based on “underspends” to be achieved in 21/22, it was imperative that the Council delivered these planned savings of just over £1m.
- c£1.5m of unexpected income – the Council has received many grants and has been able to deliver priorities without spending them in full by using existing staff (this was often unintended but difficulties in recruitment meant it was necessary as indicated above). The Council also benefited from winning a social care ordinary residence case which meant it received £551k from Cambridgeshire County Council.
- c£1m of unplanned net savings – the most significant savings were from unplanned vacancy savings. Staff under-spends, which are likely to continue into 22/23, reached nearly £1m. Whilst staffing pressures have not significantly impacted big ticket priorities, there has been an impact on both the workforce and some aspects of operational performance and progress. We also financially benefitted from reduced demand in social care and legal and we were pleased to see discretionary income in areas like parking return to pre Covid 19 levels. Worryingly, there were some areas where pressures were felt such as demand for commissioned transport, low interest returns on investments, and the pay award.

Towards the end of the financial year there were some warning signs that inflationary and other pressures were starting to hit as social care providers asked for additional funding to meet increased fuel costs and the impact of increased utility costs crystallised.

In achieving a £3.3m underspend, the Council set aside unspent project budgets as they will continue to be required as projects continue into 22/23, and grants received late in the year which will be needed to support delivery of initiatives in 22/23.

The £3.3m underspend inevitably raises questions about the impact on the medium term but in essence it does not change the Council’s position. In every year of the MTFP (from 23/24) the Council is projecting to spend more than its available funding and the gap is increasing. The £3.3m does nothing more than fund our “gap”.

The Council set a revenue budget for 22/23 which relied on General Fund reserves of £7k. This was better than the £1m target originally set. Since the budget was set, the Council has started to feel a significant impact from the cost-of-living crisis and other economic issues.

The upshot means that significant budget revisions are required, and these are likely to be funded from reserves. Importantly, the £3.3m 21/22 underspend will go a long way towards meeting these costs.

Emerging pressures in 22/23 comprise:

- transfer of £1m from the General Fund to meet historical special educational needs costs as the Government has indicated that the Council will be responsible for these.
- a £150k payment to exit the leisure lease at Catmose College.
- demand for key services continues to be volatile as shown in the Outturn and early signs for 22/23 indicate pressures in social care (current projections indicate a £520k pressure). Continued pressures in areas like transport mean additional cost of £300k are expected.
- the cost-of-living crisis experienced by households applies equally to us. Utility costs are expected to increase by £250k and inflation on key contracts is expected to be £210k.
- labour shortages are expected to accelerate pay inflation and an increase of our pay provision from 2% to 4% could cost c£347k – the pay award is not negotiated for 21/22 but the Council has been informed that 2% will not be sufficient.

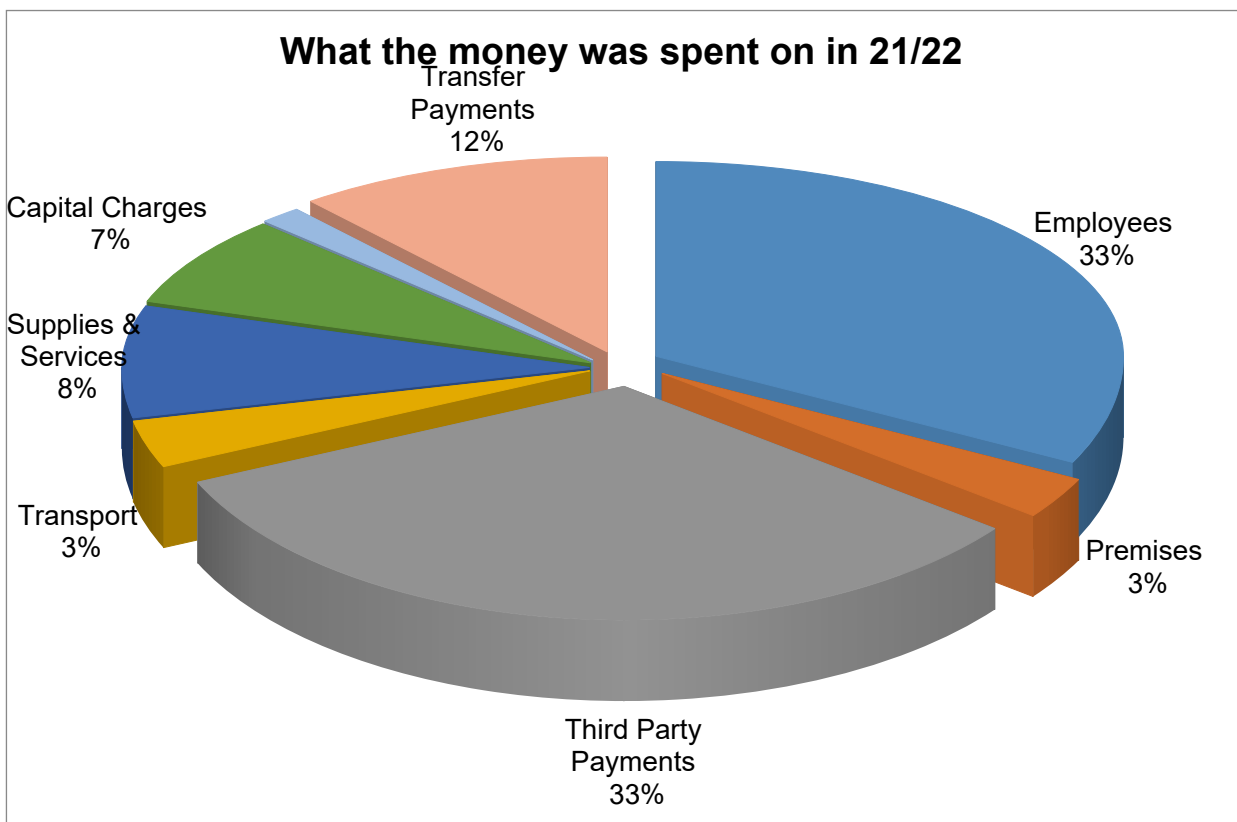
- workload pressures from business as usual or new responsibilities (e.g., implementing the care cap, preparing for a new Care Quality Commission inspection regime in adult social care) that the Council has to prepare for are emerging and will need to be funded (albeit some will be offset by new burdens funding). Estimated costs are £535k.
- the expected rise in inflation will see our investment income increase to pre pandemic levels giving us a projected extra £100k.

Beyond 22/23 the Council’s position looks very challenging. The impact of the cost-of-living crisis, potential for a significant pay award and the reprocurement of significant contracts at the time of rising costs present a significant challenge to the Council’s financial position. The future outlook shows a rising financial gap which will need to be closed. The table below shows the Gap expected now compared to budget setting. The change is largely down to change in assumptions around the cost of living.

	23/24	24/25	25/26	26/27
Gap at Budget 2022	£2.212m	£3.239m	£3.648m	£4.659m
Gap now	£2.613m	£4.262m	£4.594m	£5.650m

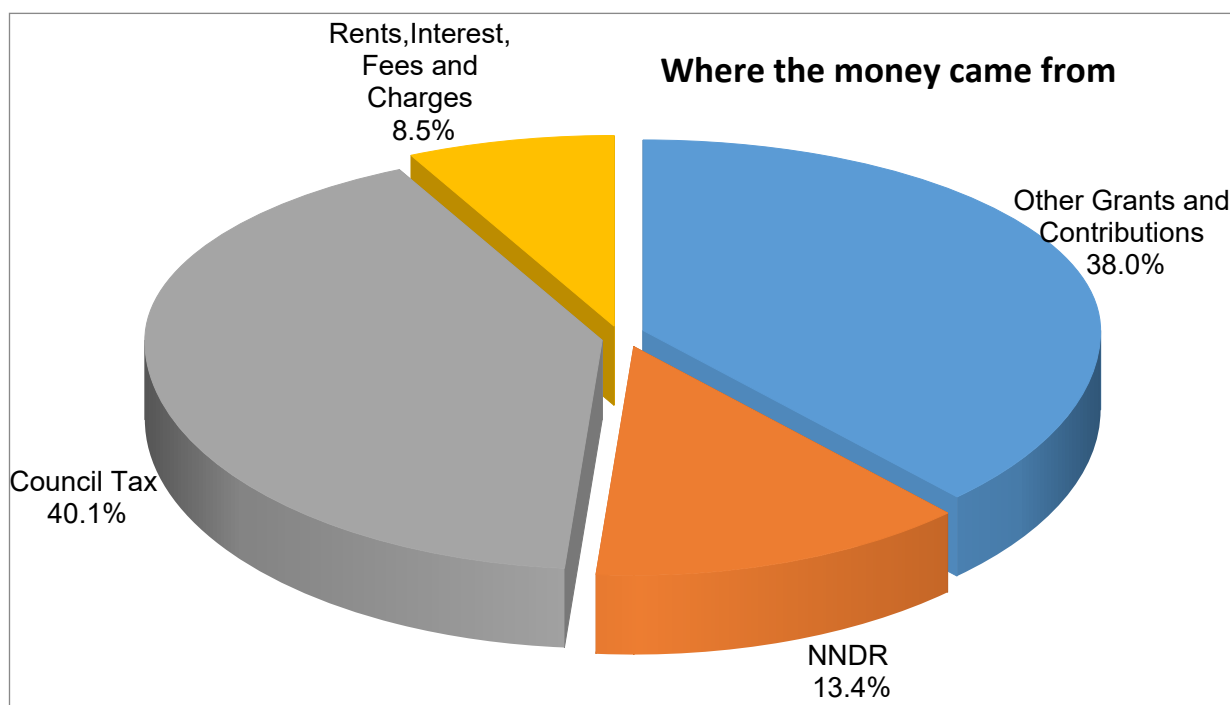
The Council is working on a plan that comprises a new savings programme and a transformation review which was approved by Council in February 2022.

The following charts outline where the Council’s revenue money came from and how it was spent.



Third Party Payments are payments to other organisation to deliver services on our behalf – eg waste collection is performed by Biffa plc.

Transfer Payments are those where we receive funding from other bodies to pass on to others – eg Housing Benefits are funded by central government.



General Fund Revenue Account

The following table summarises the position for the General Fund for 2021/22. The Council is reporting a year end surplus of £3,062k. This represents an underspend of £3,282k compared to the budgeted deficit of £320k. In the context of an MTFP, the positive outturn position increases reserves and gives us additional funding to help during 22/23 which could allow the Council to continue to meet the financial gap through use of reserves for longer. As reported at budget setting, this is poor practice and cannot continue indefinitely but given the work required to close the gap any additional time is welcome. The revenue position at 31 March 2022 is shown below:

	Revised Budget	Outturn	Variance
	£000	£000	£000
General Fund			
Net cost of Services	42,862	38,678	(4,184)
Other Operating costs	(985)	(902)	183
Net Operating Expenditure	41,877	37,776	(4,001)
Financing	(41,557)	(40,838)	719
(Surplus)/Deficit for year	320	37,735,938	(3,282)

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 £5.173m, with a total approved capital project budget of £19.962m with £0.114m declared as an underspend due to a number of projects being on hold at the year-end (£8.940m).

Expenditure was funded from external grants and contributions (£5.021m), Capital Receipts (£0.034m) and Developer Contributions (£0.118m).

Capital Programme – Approved Projects	Total Project Budget £000	Prior Year Actuals £000	Outturn 2021/22 £000	Future Year Outturn £000	Estimated Outturn £000	Total Project Variance £000
Asset Management Requirements	11,193	553	4,684	5,845	11,082	(110)
Strategic Aims and Priorities	8,769	5,181	489	3,095	8,765	(4)
Total	19,962	5,734	5,173	8,940	19,847	(342)

4. Principal Risks and Uncertainty

Risk Management is embedded in the Council through the Risk Management Strategy. Risk management is an integral part of the Council's decision-making processes. All Council papers include reference to risk to ensure that members and officers understand the impact of decision-making. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels if there is a need to look at them in more detail.

The Strategic Risk Register was reviewed by Audit and Risk Committee in July 2021 and then again in November. The Risk Management Policy was reviewed and updated in February 2022 before being approved in April 2022. The Policy included the requirement for risk registers at a Directorate level. The table below illustrates some of the high-level risks from the Council's risk register.

Risk	Impact	Controls
There is a risk that the Council is not financially stable in the medium term (as evidenced by the gap in MTFP and the impact of the Coronavirus Pandemic).	<p>Breach of statutory requirement</p> <p>Drastic action needed to rectify the position (e.g., cuts)</p> <p>Erosion of reserves below recommended levels</p>	<p>Medium Term Financial Plan (MTFP) in place</p> <p>Members adhering to minimum General Fund balances in budget setting</p> <p>Members understand the need to raise Council Tax</p> <p>All increases in budget scrutinised to ensure they are legitimate.</p> <p>Lobbying for additional funding ongoing including meeting with Minister and MP</p> <p>Various controls strengthened in light of action opposite (e.g., review of recruitment, agency staff etc)</p>
Failure to Safeguard (Children) and a child is significantly abused, hurt, or dies.	<p>Intensive scrutiny by public and press</p> <p>Potential external intervention</p> <p>Potential loss of frontline staff</p> <p>Potentially high legal costs</p>	<p>Processes and procedures in place to protect the most vulnerable</p> <p>Ensuring we have sufficient competent, trained staff to safeguard children and there is no unallocated work</p>

Risk	Impact	Controls
	Reputation damage	<p>Clear practice standards in place so staff know what is expected of them and effective training to allow them to deliver high quality practice.</p> <p>Children's services improvement plan in place and subject to monthly scrutiny by the Improvement Board.</p> <p>High quality management oversight of all Children's Social Care practice.</p> <p>Comprehensive Performance Management and Quality Assurance framework in place.</p>
Failure to deliver key services should a significant business interruption occur	<p>Reputational damage</p> <p>Long term costs</p> <p>Risk to life</p>	<p>A Major Incident Plan has been prepared</p> <p>Specific recovery plans are in place for the 5 key threats (loss of staff, telephone system, buildings, ICT, utilities)</p> <p>Business Continuity documents have been uploaded to a secure website (Resilience Direct)</p> <p>Contract procedure rules include the requirement for managers to consider the impact of contractor failure and mitigate the risks appropriately</p> <p>Business Continuity arrangements audited by Internal Audit and more recently by Resilience Partnership</p> <p>Recovery plans tested regularly</p> <p>Preparations completed for dealing with concurrent events</p>

Risk	Impact	Controls
Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt, or dies.	<p>Intensive scrutiny by public and press</p> <p>Potential external intervention</p> <p>Potential loss of frontline staff</p> <p>Potentially high legal costs</p> <p>Reputation damage</p> <p>Requirement to undertake and publish a serious case review</p>	<p>Processes and procedures in place to protect the most vulnerable.</p> <p>Scrutiny and overview from the Safeguarding Boards.</p> <p>Monthly performance and financial monitoring by senior officers and updates to Cabinet.</p> <p>High quality, timely information contained within case files.</p> <p>Clear practice standards in place so staff know what is expected of them.</p> <p>Management oversight recorded on file alongside regular supervision.</p> <p>Effective training of staff.</p> <p>Comprehensive Performance Management and Quality Assurance framework in place.</p>

5. Further Information

Further information about these accounts is available from:

<p>Mrs Kirsty Nutton Strategic Director for Resources (Chief Financial Officer) Rutland County Council Oakham Rutland LE15 6HP knutton@rutland.gov.uk</p>	<p>Mr Andrew Merry Head of Finance Rutland County Council Oakham Rutland LE15 6HP amerry@rutland.gov.uk</p>
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Information on the Council's services and activities can also be located on our website: www.rutland.gov.uk

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director for Resources.
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Chair's Approval of the Statement of Accounts

Cllr Karen Payne

The Chief Financial Officers Responsibilities

The Chief Financial Officer 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).

In preparing this Statement of Accounts, the Chief Financial Officer 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 Chief Financial Officer 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

Chief Financial Officer's Certificate

I certify that the Statement of Accounts on pages 15 to 90 presents a true and fair view of the financial position of the Council at 31st March 2022 and its income and expenditure for the year ended 31 March 2022.

Mrs K Nutton
Strategic Director for Resources (Chief Financial Officer)

Comprehensive Income and Expenditure Statement (CIES)

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. Councils 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.

Gross Expenditure	2020/21		Comprehensive (Income) & Expenditure Statement (CIES)	Notes	2021/22		Net Expenditure
	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	
£000	£000	£000			£000	£000	£000
33,929	(15,527)	18,402	People		37,846	(18,183)	19,663
20,325	(5,968)	14,357	Places		21,101	(4,700)	16,401
11,523	(4,205)	7,318	Resources		11,567	(4,266)	7,301
65,777	(25,700)	40,077	Cost of Services		70,514	(27,149)	43,365
2,876	(192)	2,684	Other Operating Expenditure	9	1,673	(448)	1,225
1,979	(257)	1,722	Financing & Investment Income & Expenditure	10	2,260	(117)	2,143
269	(49,171)	(48,902)	Taxation & Non-Specific Grant Income	11	185	(45,994)	(45,809)
70,901	(75,320)	(4,419)	(Surplus) / Deficit on Provision of Services		74,632	(73,708)	924
		(2,375)	Surplus on Revaluation of property, plant, and equipment				450
		15,625	Re-measurements of the net defined benefit liability (asset)				(16,734)
		13,250	Other Comprehensive (Income) & Expenditure				(16,284)
		8,831	Total Comprehensive (Income) & Expenditure				(15,360)

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 18. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 13.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 01 April 2021	11,513	19,581	1,442	7,184	39,719	(4,659)	35,060
In-year adjustment to correct opening balances	(5)	2	1	-	(1)		35,060
Restated Balance at 01 April 2021	11,508	19,583	1,443	7,184	39,718	(4,659)	35,060
Surplus / (Deficit) on Provision of Services	(924)	-	-	-	(924)		(924)
Other Comprehensive Income & Expenditure						16,284	16,284
Total Comprehensive Income & Expenditure	(924)	-	-	-	(924)	16,284	15,360
Adjustments between accounting basis and funding basis under regulations (Note 13)	3,402	1,234	148	26	4,810	(4,810)	-
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	2,478	1,234	148	26	3,886	11,474	15,360
Transfers to / (from) Reserves	(657)	654	-	3	-	-	-
Increase/(Decrease) in 2021/22	1,821	1,888	148	29	3,886	11,474	15,360
Balance 31 March 2022	13,329	21,471	1,591	7,213	43,604	6,815	50,419

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2020	9,281	14,485	1,517	6,442	31,725	12,168	43,891
<i>Reporting of Schools Budget Deficit to new Adjustment Account at 01 April 2020</i>	-	267	-	-	267	(267)	-
Restated Balance at 01 April 2020	9,281	14,752	1,517	6,442	31,990	11,901	43,891
<i>Surplus / (Deficit) on Provision of Services</i>	4,419	-	-	-	4,419	-	4,419
<i>Other Comprehensive Income & Expenditure</i>	-	-	-	-	-	(13,250)	(13,250)
Total Comprehensive Income & Expenditure	4,419	-	-	-	4,419	(13,250)	(8,831)
<i>Adjustments between accounting basis and funding basis under regulations (Note 13)</i>	2,472	170	(75)	742	3,310	(3,310)	-
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	6,891	170	(75)	742	7,729	(16,560)	(8,831)
<i>Transfers to / (from) Reserves</i>	(4,659)	4,659	-	-	-	-	-
Increase/Decrease in 2020/21	2,232	4,829	(75)	742	7,729	(16,560)	(8,831)
Balance 31 March 2021	11,513	19,581	1,442	7,184	39,719	(4,659)	35,060

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e., those reserves that the Council 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the 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, page 19, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021 £000	Balance Sheet	Notes	31 March 2022 £000
75,074	Property, Plant & Equipment	17	73,463
183	Intangible Assets	23	53
132	Long Term Debtors	22	117
75,389	Long Term Assets		73,633
83	Inventories (<i>Salt Stocks</i>)		116
33,570	Short Term Investments	15	47,035
7,624	Short Term Debtors	22	4,373
8,707	Cash & Cash Equivalents	29	7,732
49,984	Current Assets		59,256
(9,240)	Short Term Creditors	24	(13,246)
(1,406)	Provisions	25	(2,054)
(10,646)	Current Liabilities		(15,300)
(22,115)	Long Term Borrowing	15	(22,047)
(57,552)	Other Long-Term Liabilities	31	(45,123)
(79,667)	Long Term Liabilities		(67,170)
35,060	Net Assets		50,419
(39,718)	Usable Reserves	13	(43,604)
4,658	Unusable Reserves	13	(6,815)
(35,060)	Total Reserves		(50,419)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

31 March 2021 £000	Cash Flow Statement	Notes	31 March 2022 £000
(4,419)	Net (Surplus)/Deficit on the Provision of Services		924
(2,884)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	26	(15,871)
1,587	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	4,766
(5,716)	Net Cash Flow from Operating Activities		(10,181)
(404)	Investing Activities	27	12,111
2,726	Financing Activities	28	(955)
(3,394)	Net (increase) or decrease in cash and cash equivalents		974
(5,313)	Cash and cash equivalents at the beginning of the reporting period	29	(8,707)
(8,707)	Cash and cash equivalents at the end of the reporting period	29	(7,732)

Notes to the Accounts

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax, and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the councils directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Status

<i>Net Expenditure Chargeable to the General Fund</i>	<i>Move Covid 19 Income & Expenditure into/out of Service Lines as CIES</i>	<i>2020/21 Adjustments between Funding Basis and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>	<i>Expenditure and Funding Analysis</i>	<i>Net Expenditure Chargeable to the General Fund</i>	<i>2021/22 Move Covid 19 Income & Expenditure into/out of Service Lines as CIES</i>	<i>Adjustments between Funding basis and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>
£000	£000	£000	£000		£000		£000	£000
18,347	(753)	808	18,402	People	18,642	(920)	1,941	19,663
13,677	(2,104)	2,784	14,357	Places	13,906	(37)	2,532	16,401
7,295	(284)	307	7,318	Resources	6,729	-	572	7,301
1,824	(1,824)	-	-	*Covid 19 Income & Expenditure as in Outturn report	(599)	599	-	-
28 (4,988)	4,988	-	-	* Covid 19 Grants as in Outturn report	-	-	-	-
36,155	23	3,899	40,077		38,678	(358)	5,045	43,365
-	2,298	386	2,684	Other Operating Expenditure	-	437	788	1,225
1,391	-	331	1,722	Financing & Investment Income & Expenditure	1,531	-	612	2,143
(39,778)	(2,321)	(6,803)	(48,902)	Taxation & Non-Specific Grant Income	(42,687)	(479)	(2,643)	(45,809)
(2,232)	-	(2,187)	(4,419)	(Surplus) / Deficit on Provision of Services	(2,478)	(400)	3,802	924
(9,277)				Opening General Fund Balance	(11,508)			
-				Additional transfers to/(from) Reserves	657			
(11,509)				Closing General Fund Balance	13,329			

2020/21					2021/22					
<i>Adjustments for Capital Purposes</i>	<i>Net Change for Pension Adjustments</i>	<i>Other Differences</i>	<i>Covid-19 Differences</i>	<i>Total Adjustments</i>	<i>Adjustments from General Fund to arrive at the CIES Amounts</i>	<i>Adjustments for Capital Purposes</i>	<i>Net Change for Pension Adjustments</i>	<i>Other Differences</i>	<i>Covid 19 Differences</i>	<i>Total Adjustments</i>
£000	£000	£000	£000	£000		£000	£000	£000		£000
264	548	(4)	(753)	55	People	304	1,637	-	(920)	1,021
2,521	262	1	(2,104)	680	Places	4,069	810	(2,347)	(37)	2,495
180	227	(100)	(284)	23	Resources	135	629	(192)	-	572
			3,164	3,164	*Covid 19 Income & Expenditure				599	599
29										
2,965	1,037	(103)	23	3,922	Cost of Services	4,508	3,076	(2,539)	(358)	4,687
(74)		459	2,298	2,684	Other Operating Expenditure	(106)	-	894	437	1,225
(615)	930	16		331	Financing & Investment Income & Expenditure	(615)	1,211	16	-	612
(10,221)		3,418	(2,321)	(9,124)	Taxation & Non-Specific Grant Income	(2,574)	17	(86)	(479)	(3,122)
(7,945)	1,976	3,790	-	(2,187)	(Surplus) / Deficit on Provision of Services	1,2137	4,304	(1,715)	(400)	3,402

*In the Outturn figures reported to Council, Covid 19 income and expenditure is shown separately to normal service expenditure to demonstrate the impact of the pandemic. However, in the CIES they are included within service lines, and within the Other Operating Expenditure and Taxation & Non-Specific Grant Income line, to meet with accounting requirements. In the two tables above adjustments include moving Covid 19 Income & Expenditure to the correct places within the CIES.

- i. Adjustments for Capital Purposes: Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services.
 - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Finance and investment income and expenditure – the statutory charges for capital financing, i.e., Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP); and
 - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.
- ii. Net Change for Pension Adjustments The removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows.
 - For the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs; and
 - For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES)
- iii. Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:
 - For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under the Code of Practice. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

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2020/21	Expenditure / Income Analysed by Type	2021/22
£000		£000
	Expenditure	
19,583	Employee Benefits	22,397
42,700	Other Service Expenditure	42,742
5,843	Capital Charges	6,465
1,979	Interest Payments	2,230
796	Precepts and Levies	798
-	Loss on the Disposal of Assets	-
70,901	Total Expenditure	74,632
	Income	
(4,763)	Fee, Charges, and other Service Income	(6,135)
(257)	Interest & Investment Income	(117)
(40,037)	Income from Council Tax and Business Rates	(39,394)
(30,184)	Government Grants & Contributions	(27,921)
(79)	Gain on the Disposal of Assets	(141)
(75,320)	Total Income	(73,708)
(4,419)	Total	924

COVID-19 grant income amounting to £2.576m (£7.729m in 2020/21) and expenditure amounting to £1.576m (£3.026m in 2020/21) are included in the CIES in the appropriate service lines, but also in the Other Operating Expenditure line and the Taxation & Non-Specific Grant Income line. The first table below shows the impact on the CIES of all amounts relating to Covid 19.

Covid 19 Impact on the CIES 2021/22	Net Expenditure in the CIES	Remove Covid 19 Expenditure	Remove Covid 19 Grant Income	Remaining Net Council Expenditure
Line in Comprehensive Income & Expenditure Statement	£000	£000	£000	£000
People	19,663	(847)	1,767	20,583
Places	16,401	-	38	16,439
Resources	7,301	-	-	7,301
Cost of Services	43,365	(847)	1,805	44,323
Other Operating Expenditure	1,225	(730)	293	788
Financing & Investment Income & Expenditure	2,143	-	-	2,143
Taxation & Non-Specific Grant Income	(45,809)	-	479	(45,330)
(Surplus) / Deficit on Provision of Services	924	(1,577)	2,577	1,924
Surplus on Revaluation of property, plant, and equipment	450	-	-	450
Re-measurements of the net defined benefit liability (asset)	(16,734)	-	-	(16,734)
Other Comprehensive (Income) & Expenditure	(16,284)	-	-	(16,284)
Total Comprehensive (Income) & Expenditure	(15,360)	(1,577)	2,577	(14,360)

Covid 19 Impact on the CIES 2020/21	Net Expenditure in the CIES	Remove Covid 19 Expenditure	Remove Covid 19 Grant Income	Remaining Net Council Expenditure
Line in Comprehensive Income & Expenditure Statement	£000	£000	£000	£000
<i>People</i>	18,402	(872)	1,732	19,262
<i>Places</i>	14,357	(22)	204	14,539
<i>Resources</i>	7,318	-	119	7,437
Cost of Services	40,077	(894)	2,055	41,238
<i>Other Operating Expenditure</i>	2,684	(1,969)	103	818
<i>Financing & Investment Income & Expenditure</i>	1,722	-	-	1,722
<i>Taxation & Non-Specific Grant Income</i>	(48,902)	(163)	5,271	(43,794)
(Surplus) / Deficit on Provision of Services	(4,419)	(3,026)	7,429	(16)
<i>Surplus on Revaluation of property, plant, and equipment</i>	(2,375)	-	-	(2,375)
<i>Re-measurements of the net defined benefit liability (asset)</i>	15,625	-	-	15,625
Other Comprehensive (Income) & Expenditure	13,250	-	-	13,250
Total Comprehensive (Income) & Expenditure	8,831	(3,026)	7,429	13,234

The outturn reported to Council shows **Covid 19** income & expenditure of (£0.599m). The differences between reported outturn figures and the figures included in the CIES are due to adjustments required to meet with accounting requirements. The table below explains the differences

	Covid 19 Figures in Outturn Report	Covid 19 Figures in CIES	Difference	Explanation
	£000	£000	£000	
Income	(2,507)	(2,576)	69	Grant funding has been provided by central government to support local businesses. Where the Council has discretion as to how this funding is used, and the amounts to be given to individual businesses, this funding must be included in the CIES as income, but is not included in the Outturn report as it is not funding for council-provided services
Expenditure	1,908	1,576	(330)	The majority of the difference between the expenditure in the management accounts and in the CIES relates to year end accounting adjustments where the expenditure replates to the prior, or next year and cannot be included in the 2021/22 accounts

2. Members Allowances

The following amounts were paid to members of the Council.

2020/21 £000	Members Allowances	2021/22 £000
139	Basic allowances	137
107	Special responsibility allowances	118
1	Expenses	1
247	Members allowances	256

3. 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 influence 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 1 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2022 are shown in Note 12.

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 2021/22 is shown in Note 2. During 2021/22, 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 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 Interests, which is open to public inspection at the council offices during office hours and can be viewed on the Council's website.

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 were no transactions in 2021/22 that are considered material and would require their disclosure.

4. Officers Remuneration

The following table shows the remuneration paid to the Council's senior employees, either those who report to the head of paid service (Chief Executive) or officers who hold statutory positions.

Officers Remuneration	Year	Salary £	Agency/ Recharge £	Expense Allowance £	Pension Contribution £	Total £
Chief Executive (1)	2021/22	134,761			26,278	161,039
	2020/21	58,311	-	-	11,371	69,682
	2020/21	88,198	-	-	17,199	105,397
Strategic Director of Peoples (2)	2021/22	-	-	-	-	-
	2020/21	34,847	-	-	6,795	41,642
Director of Adult Services (2)	2021/22	91,712	-	-	17,884	109,596
	2020/21	58,890	-	-	11,483	70,373
Director of Childrens Services (2)	2021/22	91,712	-	-	17,884	109,596
	2020/21	58,875	-	-	11,481	70,356
Strategic Director of Places	2021/22	94,083	-	-	18,346	112,429
	2020/21	92,693	-	-	18,075	110,768
Director of Resources	2021/22	94,083	-	-	18,346	112,429
	2020/21	92,693	-	-	18,075	110,768
Deputy Director of Resources (3)	2021/22	51,208	64,380	-	9,614	125,202
	2020/21	81,788	-	-	15,949	97,737
Director of Public Health (4)	2021/22	-	35,455	-	-	35,455
	2020/21	-	37,464	-	-	37,464
Head of Communications (5)	2021/22	22,698	-	-	4,246	26,944
	2020/21	68,652	-	-	13,387	82,039
Head of Corporate Services (5)	2021/22	65,140	-	-	12,702	77,842
	2020/21	-	-	-	-	-
TOTAL	2021/22	645,397	99,835		125,300	870,532
	2020/21	634,947	37,464		123,815	796,226

(1) The Interim Chief Executive appointed during 2020/21 was appointed to the permanent role from 08/06/21.

(2) Strategic Director of Peoples was appointed as Interim Chief Executive during 2020/21. The post was split creating separate Strategic Director of Adults and Strategic Director of Childrens posts.

(3) Deputy Director of Resources left on 07/11/21. Interim support was appointed through and agency from 27/09/21.

(4) The Director of Public Health is shared with Leicestershire County Council. Rutland County Council is recharged a proportion of the salary costs.

(5) Head of Communications left during 21/22 and replacement reports to the Head of Corporate Services. Prior to the Head of Communications leaving the post reported directly to the Head of Paid Service as does the Head of Corporate Services.

The number of employees whose remuneration, including lump sum retirement payments but not any associated pension strain, was £50,000 or more in bands of £5,000 is shown below.

2020/21 Number of Employees	Remuneration Bands	2021/22 Number of Employees
2	£50,000 - £54,999	4
5	£55,000 - £59,999	4
4	£60,000 - £64,999	2
4	£65,000 - £69,999	7
2	£70,000 - £74,999	1
1	£75,000 - £79,999	2

5. Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments) £	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b)+(c)		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £	2021/22 £
0 – 20,000	1	2	1	1	2	3	4,465	17,662
20,001 – 40,000	-	-	-	-	-	-	-	-
40,001 – 60,000	-	1	-	-	-	1	-	59,494
Total cost included in the bandings and in the CIES							4,465	77,156

The total cost of £77,156 in the table above has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

6. External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors, Grant Thornton UK LLP.

2020/21 £000	External Audit Costs	2021/22 £000
77	*Fees payable with regard to external audit services carried out by the appointed auditor for the year	82
14	*Fees payable for the certification of grant claims and returns for the year	20
-	Fees payable in respect of other services provided by the appointed auditor during the year	-
91	Total	102

*The fees in the above note reflect the audit fees as per the 2021/22 Audit Plan. Actual fees recorded in the Council's management accounts were £75k for external audit services and £17k for certification of

grants and returns. The differences between the amounts shown in the note and the management accounts relate to extra fees that were under discussion as at 31st March 2022.

7. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2021/22 and for the previous financial year, 2020/21 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual School Budget (ISB) £000	Total £000
Final DSG for 2021/22 before Academy Recoupment			(34,062)
Academy Figure Recouped for 2021/22			25,785
Total DSG after Academy recoupment for 2021/22			(8,277)
Agreed initial budgeted distribution in 2021/22	(3,598)	(4,678)	(8,276)
Final budgeted distribution 2021/22	(3,598)	(4,678)	(8,276)
Less actual central expenditure	3,707		3,707
Less actual ISB deployed to schools		5,262	5,262
In-year Carry forward to 2022/23	109	584	693
DSG Unusable Reserve at the end of 2020/21			388
Addition to DSG Unusable Reserve at the end of 2021/22			693
Total of DSG Unusable Reserve at the end of 2021/22			1,081
Net DSG position at the end of 2021/22			1,081

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. 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. The deficit carry-forward for 2020/21 was £388k which was taken to a new unusable reserve on the balance sheet. The 2021/22 deficit of £692k has been added to the unusable reserve.

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual School Budget (ISB) £000	Total £000
<i>Final DSG for 2020/21 before Academy Recoupment</i>			(31,486)
<i>Academy Figure Recouped for 2020/21</i>			23,522
<i>Total DSG after Academy recoupment for 2020/21</i>			(7,964)
<i>Brought Forward from 2019/20</i>			268
<i>Agreed initial budgeted distribution in 2020/21</i>	(4,102)	(3,594)	(7,696)
<i>Final budgeted distribution 2020/21</i>	(4,102)	(3,594)	(7,696)
<i>Less actual central expenditure</i>	4,910		4,910
<i>Less actual ISB deployed to schools</i>		3,174	3,174
<i>In-year Carry forward to 2021/22</i>	808	(420)	388
<i>Total of DSG Unusable Reserve at the end of 2020/21</i>			388
<i>Net DSG position at the end of 2020/21</i>			388

8. Pooled Funds

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 (CCGs) covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2021/22 was £6.583 million (£5.895 million in 2020/21) of which Rutland County Council contributed £0.07 million (£0.07 million 2020/21). Total expenditure from the pool was £6.583 million (£5.895 million 2020/21).

Better Care Fund (BCF) – Pooled Budget

From 1 April 2021 the Council entered into a £3.114m pooled budget arrangement (section 75 agreement) for the Better Care Fund. During the year additional funding of £0.982m was provided to the pool. Officers and Members of the Council are working across Leicester, Leicestershire, and Rutland (LLR) to integrate reform and transform services. This is a budget to improve the ways health services and social care services work together, starting with services for older people and people with long term conditions. The Council and East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG) have agreed a Better Care Fund plan; this has been fully approved by NHS England.

The contributions from the Council are shown in the Peoples Directorate line in the Comprehensive Income and Expenditure Statement.

The Council is holding £0.937m (£1.074m in 2020/21) in a BCF earmarked reserve which will be spent on BCF projects in future years.

2020/21 £000	Better Care Fund	2021/22 £000
	Funding Provided to the Pool	
2,368	East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG)	2,493
483	Rutland County Council	483
75	Use of Reserves	138
2,926	Total Funding	3,114
0	Additional funding provided by CCG	982
2,926	Total Section 75 funding	4,096
	Expenditure For BCF Purposes	
262	Unified Prevention Offer	388
1,224	Holistic Management of Health and Wellbeing in the Community	1,416
975	Hospital Flows	1,001
80	Enablers	93
2,541	Total Expenditure for BCF Purposes	2,898
0	Expenditure associated with additional funding	364
2,541	Total Section 75 expenditure	3,262
	Expenditure Repayment of Funds (In-line with Section 75 Agreement)	
93	ELRCCG	40
300	Additional Contribution from CCG	-
393	Total Expenditure Repayment of Funds (In-line with Section 75 Agreement)	40
778	Surplus/ (Deficit) on BCF	256
0	Surplus/ (Deficit) on additional funding	618
778	Total Section 75 Surplus/ (Deficit)	874
	Share of Surplus / (Deficit)	
424	ELRCCG	40
354	RCC	216
778	Surplus/ (Deficit) on Fund	256
0	Total shared Surplus/ (Deficit) on additional funding - RCC	618
778	Total shared Section 75 Surplus/ (Deficit)	874

I certify that the above pooled budget memorandum account accurately discloses the expenditure incurred

Mrs K Nutton
Strategic Director - Resources (CFO)

9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2020/21 £000	Other Operating Expenditure	2021/22 £000
796	Parish Council Precepts	799
96	External Levies	95
(74)	Net (Gains)/Losses on Disposal of Non-Current Assets	(106)
1,866	Covid 19 Expenditure*	437
2,684	Total	1,225

*Expenditure is included in the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement that relates to Covid 19. It is spending that cannot be attributed to specific service lines.

10. Comprehensive Income and Expenditure Statement – Financing & Investment Income & Expenditure

2020/21 £000	Financing & Investment Income & Expenditure	2021/22 £000
1,049	Interest payable & similar charges	1,049
930	Net interest on the net defined benefit liability (asset)	1,181
-	Past Service Cost (Including Curtailments)	30
(257)	Interest receivable and similar income	(117)
1,722	Total	2,143

11. Comprehensive Income and Expenditure Statement – Taxation & Non-Specific Grant Income

2020/21 £000	Taxation & Non-Specific Grant Income	2021/22 £000
28,453	Council Tax income	29,560
1,876	Retained business rates income	3,007
30,329	Total Taxation Income	32,567
	Non-specific grants	
3,381	Small Business Rate Relief (Section 31)	2,350
967	New Homes Bonus	518
2,880	Better Care Fund (including iBCF)	2,519
-	Adult Social Care funding*	959
848	Rural Delivery Grant	890
5,108	Covid 19 Grants**	479
-	Reimbursement	551
901	Other	507
14,085	Total Non-Specific Grants	8,773
447	Section 106 Contributions	1,361
4,041	Capital Receipts, Grants & Contributions	3,108
4,488	Total Other Income	4,469
48,902	Total	45,809

* Adult Social Care funding was included within Other grants in 2020/21.

** Grant income is included in the Taxation and Non-Specific Grant Income line in the Comprehensive Income & Expenditure Statement that relates to Covid 19. It is income that cannot be attributed to specific service lines. In the table below, showing Grant Income Credited to Services, Covid 19 income that does relate to specific services is shown.

12. Grant Income

In addition to the grants shown above the authority credited the following grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2021/22.

2020/21 £000	Credited to Services	2021/22 £000
24	School Sport Partnership	40
3,877	Housing Benefit Subsidy	3,707
18	Benefits Administration Subsidy	27
425	Adult Learning (Various)	473
7,939	*Dedicated Schools Grant (<i>note 7</i>)	8,284
101	Unaccompanied Asylum-Seeking Children	187
1,313	Public Health	1,329
102	Teachers' Pension Grant	-
54	School Improvement and Brokering	19
-	Looked After Children	54
51	Homelessness Grant	122
54	Garden Village Funding	11
61	Revenues	62
37	Armed Forces Covenant	15
381	Bus Service Operator	171
-	Bus Recovery Grant	65
-	National Bus Strategy	55
39	Elections	58
219	Pupil Premium	232
87	Troubled Families Programme	318
71	Universal Infant Free School Meals	54
-	Holiday Activities & Food	58
121	Home to School Transport	162
-	Land Charges Grant	60
-	Cyber Security Funding	150
-	Care Leavers Grant	35
-	Domestic Abuse	113
-	Discretionary Housing Payments	55
2,321	Covid 19 Grants	906
400	Other Grants	87
17,695	Total	16,909

*The amount of Dedicated Schools Grant shown above is £7k more than the budgeted income shown in Note 7, due to an Early Years adjustment.

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 if they are not used in accordance with those conditions. These grants are included within Creditors. The balances at the year-end are as follows:

2020/21	Revenue Grants & Contributions - Receipts in Advance	2021/22
£000		£000
46	Ageing Well	-
50	Transport Grant	73
164	Changing Lives	-
98	Children's Centres	-
29	Improving Access to Psychological Therapies	-
50	Domestic Abuse Grant	-
-	Learning & Skills Grant	220
-	Heritage Study – Water Fossil	15
-	Hub Feasibility Study	40
-	Biodiversity Grant	20
-	National Bus Grant	95
-	CCG	29
156	Covid 19 Grants	1,042
23	Other Grants	23
616	Total	1,557

The authority credited the following capital grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21	Capital Grants & Contributions	2021/22
£000		£000
226	Schools Capital Maintenance	154
1,535	Highways Capital Maintenance	1,058
458	Highways Integrated Transport	462
320	Highways Incentive Funding	265
1,295	Pothole Action Funding	1,058
11	Devolved Formula Capital	12
270	Better Care Fund (BCF)	270
-	Basic Needs Funding	1,689
91	Heritage Lottery Funding	3
167	Special Funding Provision (SEND)	500
34	Covid 19 Capital Grants	0
1,589	Digital Rutland Funding	0
896	Other Grants & Contributions	159
6,892	Total	5,630

During 2021/22 and 2020/21 the government provided grant funding to support businesses and individuals that were affected by the Covid 19 pandemic. The majority of the funding provided was to be “passported” directly to recipients with the Council simply acting as an agent of central government. For these grants, central government determined the criteria to be met to be eligible for funding and also set the amounts to be awarded. All of the grant funding passed on in this way has been removed from the Council’s Statement of Accounts, as it is not the Council’s income or expenditure. Only grant funding where the Council had discretion as to its use is included in the Statement of Accounts. In this case the Council was acting as principal. See Note 1 – Expenditure & Funding Analysis on pages 20 - 26 for details of these amounts.

13. Movement in Reserves Statement - Adjustments Between Accounting Basis & Funding Basis Under Regulations

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

- **General Fund Balance** - is the statutory fund into which all the receipts of an authority are required to be paid in and out of which all liabilities of the Council 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, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.
- **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.
- **Capital Grants Unapplied Account** – holds the grants and contributions received towards capital projects for which the Council 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 not 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.

Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation; however, the Council is restricted in the use of these as the schools balances are held by schools and can only be spent by schools. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Council to maintain a prudent level of reserves.

Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements.

Summary of Usable and Unusable Reserves

31 March 2021 £000	Summary of Usable & Unusable Reserves	In-Year Adjustment	1 April 2021 £000	Movement £000	31 March 2022 £000
	Usable Reserves				
11,509	General Fund Balance	(1)	11,508	1,821	13,329
625	School Balances		625	146	771
18,958	Specific Reserves (Note 14)		18,958	1,742	20,700
1,442	Capital Receipts Reserve	1	1,443	148	1,591
7,184	Capital Grants		7,184	29	7,213
39,718	Total Usable Reserves		39,718	3,886	43,604
17,352	Revaluation Reserve		17,352	(672)	16,680
38,689	Capital Adjustment Account		38,689	(469)	38,220
13	Deferred Capital Receipts		13	(8)	5
28	Financial Instruments Adjustment Account		28	(16)	12
(57,552)	Pension Fund Reserve		(57,552)	12,429	(45,123)
(2,606)	Collection Fund Adjustment Account		(2,606)	908	(1,698)
(195)	Accumulating Compensated Absences Adjustment Account		(195)	(6)	(201)
(388)	Dedicated Schools Grant Adjustment Account		(388)	(693)	(1,081)
(4,659)	Total Unusable Reserves		(4,659)	11,474	6,815
35,060	Total Reserves		35,060	15,359	50,419

Adjustments between Accounting Basis & Funding Basis Under Regulations 2021/22	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000		£000
Adjustments primarily involving the capital adjustment account:						
<u>Reversal of items debited or credited to the CIES:</u>						
Charges for depreciation and impairment of non-current assets	2,643	-	-	-		(2,643)
Revaluation losses on Property, Plant and Equipment	1,603	-	-	-		(1,603)
Capital grants & contributions applied	(4,803)	-	(72)	(218)		5,093
Capital Receipts Applied	(32)	-	-	-		32
Revenue expenditure funded from capital under statute	2,168	-	-	-		(2,168)
Amounts of non-current assets written off on derecognition	50	-	-	-		(50)
Statutory provision for the financing of capital investment	(615)	-	-	-		615
Capital expenditure charged against the general fund	(48)	-	-	-		48
Adjustment primarily involving the Capital Grants Unapplied Accounts						
Capital grants & contributions unapplied	(246)	-	-	246		-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(123)	123	-	-		-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	10	-	-		(10)
Repayment of Capital Loan	-	15	-	-		(15)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-		-
Adjustment primarily involving the Section 106 Reserve						
Section 106 contributions unapplied transferred to reserves	(1,361)	-	1,361	-		-
Use of the Section 106 reserves to finance revenue expenditure	55	-	(55)	-		-
Adjustments primarily involving the Financial Instruments Account						
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	16	-	-	-		(16)
Adjustment primarily involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the CIES	7,674	-	-	-		3,370
Employer's pension contributions and direct payments to pensioners payable in the year	(3,370)	-	-	-		(7,674)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income is different from income calculated in accordance with statutory requirements	(908)	-	-	-		908
Amount by which remuneration charged to the CIES on an accruals basis is different	6	-	-	-		(6)

Adjustments between Accounting Basis & Funding Basis Under Regulations 2021/22	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	
from remuneration chargeable in the year in accordance with statutory requirements					
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account					
Reporting of Schools Budget Deficit to unusable reserves	693	-	-	-	(693)
Total Adjustments	3,402	148	1,234	26	(4,810)

Adjustments between Accounting Basis & Funding Basis Under Regulations 2020/21	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	
Adjustments primarily involving the capital adjustment account:					
<u>Reversal of items debited or credited to the CIES:</u>					
Charges for depreciation and impairment of non-current assets	2,530	-	-	-	(2,530)
Revaluation losses on Property, Plant and Equipment	58	-	-	-	(58)
Capital grants & contributions applied	(6,053)	-	(215)	(62)	6,330
Capital Receipts Applied	(89)	(90)	-	-	179
Revenue expenditure funded from capital under statute	3,222	-	-	-	(3,222)
Amounts of non-current assets written off on derecognition	-	-	-	-	-
Statutory provision for the financing of capital investment	(719)	-	-	-	719
Capital expenditure charged against the general fund	-	-	-	-	-
Adjustment primarily involving the Capital Grants Unapplied Accounts					
Capital grants & contributions unapplied	(824)	-	-	824	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	15	-	-	-	(15)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-
Repayment of Capital Loan	19	5	-	-	(24)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-
Adjustment primarily involving the Section 106 Reserve					
Section 106 contributions unapplied transferred to reserves	(426)	-	446	(20)	-
Use of the Section 106 reserves to finance revenue expenditure	61	-	(61)	-	-

Adjustments between Accounting Basis & Funding Basis Under Regulations 2020/21	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Adjustment primarily involving the Deferred Capital Receipt Reserve					
<i>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account</i>			10		(10)
Adjustments primarily involving the Oakham North Reserve					
<i>Oakham North contributions unapplied</i>					
Adjustments primarily involving the Financial Instruments Account					
<i>Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements</i>	16				(16)
Adjustment primarily involving the Pension Reserve					
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(3,199)				3,199
<i>Employer's pension contributions and direct payments to pensioners payable in the year</i>	5,166				(5,166)
Adjustments primarily involving the Collection Fund Adjustment Account					
<i>Amount by which council tax income is different from income calculated in accordance with statutory requirements</i>	2,581				(2,581)
Adjustments primarily involving the Accumulated Absences Account					
<i>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</i>	(7)				7
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account					
<i>Reporting of Schools Budget Deficit to unusable reserves</i>	121				(121)
Total Adjustments	2,472	(75)	170	742	(3,310)

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.

2020/21	Revaluation Reserve	2021/22
£000		£000
15,168	Balance 1 April	17,352
2,998	Upward revaluation of assets	565
(623)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,017)
-	Disposals written out	(31)
(191)	Difference between fair value depreciation and historical depreciation	(189)
17,352	Balance at 31 March	16,680

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.

2020/21	Deferred Capital Receipts Reserve	2021/22
£000		£000
23	Balance 1 April	13
(10)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(9)
13	Balance at 31 March	4

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.

2020/21	Financial Instruments Adjustment Account	2021/22
£000		£000
44	Balance 1 April	28
(16)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(16)
28	Balance at 31 March	12

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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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, and subsequent costs.

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

2020/21	Capital Adjustment Account	2021/22
£000		£000
37,119	Balance at 1 April	38,688
(2,530)	Charges for depreciation and impairment of non-current assets	(2,643)
(58)	Revaluation losses on Property, Plant & Equipment	(1,571)
(3,222)	Revenue expenditure funded from capital under statute	(2,168)
3,167	*Grant Funding of Revenue expenditure funded from capital under statute	2,168
(15)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(50)
191	Adjusting amounts written out of the Revaluation Reserve	190
179	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	32
3,035	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,864
62	Application of grants to capital financing from the Capital Grants Unapplied Account	64
-	Capital expenditure charged against the general Fund balance	46
719	Statutory provision for the financing of capital investment charged against the General Fund balance	615
(24)	Capital Loans	(15)
65	Use of the s106 Reserve to finance new capital expenditure	-
38,688	Balance at 31 March	38,220

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. Statutory arrangements will ensure that funding has been set aside when benefits come to be paid.

2020/21	Pensions Reserve	2021/22
£000		£000
(39,960)	Balance 1 April	(57,552)
(15,625)	Re-measurements of the net defined benefit liability (asset)	16,733
(5,166)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,674)
3,199	Employers' pensions contributions and direct payments to pensioners payable in the year	3,370
(57,552)	Balance at 31 March	(45,123)

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

2020/21 £000	Collection Fund Adjustment Account	2021/22 £000
(24)	Balance 1 April	(2,606)
(2,582)	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	908
(2,606)	Balance at 31 March	(1,698)

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.

2020/21 £000	Accumulated Absences Account	2021/22 £000
(202)	Balance 1 April	(195)
202	Settlement or cancellation of accrual made at the end of the preceding year	195
(195)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(201)
(195)	Balance at 31 March	(201)

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a new unusable reserve for 2020/21. It has been created to enable separate accounting for any deficits on the Schools budget so that they do not impact on the General Fund or Earmarked Reserves Balances. The account must be used for any deficits for three years from 2020/21 to 2022/23 inclusive.

2020/21 £000	Dedicated Schools Grant Adjustment Account	2021/22 £000
-	Balance 1 April	(388)
(267)	Reporting of Schools Budget Deficit to new Adjustment Account	-
(121)	Schools Budget Deficit to in year	(693)
(388)	Balance at 31 March	(1,081)

14. Movement in Reserves Statement – Transfer 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 2020/21.

General Fund Earmarked Reserves	31 March 2021 £000	Transfers out £000	Transfers In £000	31 March 2022 £000
Invest to Save	(173)	-	-	(173)
Internal Audit	(20)	20	-	-
Training	(75)	-	(50)	(125)
Repairs	(341)	92	-	(249)
Highways	(493)	130	(33)	(396)
Public Health	(394)	100	(113)	(407)
Brexit	(266)	-	-	(266)
Tourism	(31)	20	-	(11)
Digital Rutland	(26)	-	-	(26)
National Non-Domestic Rates	(2,773)	875	(85)	(1,983)
Social Care Reserve	(1,338)	246	(225)	(1,317)
Insurance	(180)	80	-	(100)
Welfare Reserve	(162)	40	(65)	(187)
Better Care Fund	(954)	97	(80)	(937)
Pressure Reserve	(475)	475	-	-
Commuted Sums	(437)	20	(232)	(649)
Rutland Adult Learning	(40)	-	-	(40)
Covid 19*	(2,149)	1,406	(31)	(774)
Neighbourhood	(12)	-	(15)	(27)
Section 106	(4,755)	110	(1,129)	(5,774)
Oakham North Agreement	(3,212)	-	-	(3,212)
Culture Reserve	(6)	-	-	(6)
Ash Dieback Reserve	-	-	(500)	(500)
Local Plan Reserve	-	13	(1,718)	(1,705)
Budget Carry Forward	(647)	449	(1,639)	(1,837)
Total	(18,959)	4,174	(5,915)	(20,700)

*£1,406k from the Covid 19 reserve has been used during the year. The balance will be used by the Council, during 2022/23 and future years to support recovery from the pandemic.

15. Financial Instruments

Categories of financial instruments

2020/21			Financial Instruments Balances			2021/22		
<i>Non-Current Borrowings</i>	<i>Non-Current Creditors</i>	<i>Current Borrowings</i>		<i>Non-Current Borrowings</i>	<i>Non-Current Creditors</i>	<i>Current Borrowings</i>		
£000	£000	£000	<u>Financial liabilities</u>	£000	£000	£000		
(21,572)	-	-	PWLB	(21,572)	-	-		
(729)	-	-	Other	(661)	-	-		
-	-	(3,577)	Creditors	-	-	(3,522)		
-	-	(4,753)	S106 Contributions	-	-	(5,773)		
(22,301)	-	(8,330)	Total Financial Liabilities	(22,233)	-	(9,295)		
<i>Non-Current Investments</i>	<i>Non-Current Debtors</i>	<i>Current Investments</i>		<i>Non-Current Investments</i>	<i>Non-Current Debtors</i>	<i>Current Investments</i>		
£000	£000	£000	<u>Financial Assets</u>	£000	£000	£000		
-	-	1,526	Trade Receivables	-	-	1,613		
-	-	8,708	Cash & Cash Equivalents	-	-	7,732		
-	132	33,570	Investments	-	117	47,035		
-	132	43,804	Total Financial Assets	-	117	56,380		

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

Gains & Losses Recognised in the Comprehensive Income & Expenditure Statement		
2020/21		2021/22
<i>Surplus or Deficit on the Provision of Services</i>		<i>Surplus or Deficit on the Provision of Services</i>
£000	£000	£000
(257)	Interest Revenue	(117)
1,049	Interest Expense	1,049
1,049	Total Expense in the Surplus/Deficit on the Provision of Services	1,049

Financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors 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 payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.

- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- 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 carrying amount or the billed amount.

The fair values of financial instruments are calculated as follows:

2020/21		Fair Value of Financial Instruments	2021/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
21,386	34,375	PWLB Debt	21,386	31,527
756	744	Non PWLB Debt	672	660
3,577	3,577	Short Term Creditors	3,522	3,522
25,719	38,696	Total Financial Liabilities	25,580	35,709
33,500	33,570	Short Term Investments	47,000	46,941
1,093	762	Short Term Debtors	1,178	868
34,593	34,332	Total Financial Assets	48,178	47,809

16. Nature & 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. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website.

Credit Risk Management Practices

The authority's credit risk management practices are set out on pages 17 to 19 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors credit rating services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit rating from all three credit rating agencies- Fitch, Moody's, and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £47.0 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits but there was no evidence at 31st March 2022 that this was likely to crystallise.

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:

2020/21		2021/22
£000	Period	£000
-	Less than one year	-
-	Between one and two years	-
756	Between two and seven years	672
-	Between seven and 10 years	-
21,386	More than 10 years	21,386
22,142	Total	22,058

The maturity analysis of long-term financial assets, excluding sums due from customers is as follows:

Period	£000
Between one and two years	1
Between two and three years	7
More than three years	109
Total	117

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.96 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 fixed interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances)
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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 the 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 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.

The impact of the reduction in the base rate to 0.10% can no longer solely be attributed to the Covid 19 pandemic, other global economic events have also affected levels; interest rates achieved have reduced from an average of 0.5% in 2020-21 to 0.20% to date in 2021-22, resulting in a £124k shortfall on income receivable. Base rate increases in December 2021 (to 0.25%) and February 2022 (to 0.50%) had minor impact on interest receivable in 2021-22 due to the maturity dates of investments held. The authority has no variable rate borrowing and therefore the fall in interest rates has no impact on its borrowing. Fixed rate borrowing will continue to be reviewed.

If all interest rates had been 0.25% higher (with all other variables held constant) the financial effect in 2021/22 would be:

Effect	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(131)
Total	(131)

The approximate impact of a 0.25% fall in interest rates would be as above but with the movements being reversed.

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. The authority (excluding the pension fund) has not invested in equity shares or marketable bonds during 2021/22.

17. Property, Plant & Equipment

The Code of Practice requires that assets are valued as a minimum every five years – however, the Council operates on a rolling three-year basis. The assets that were revalued in 2021/22 were last revalued in 2018/19..

An annual desktop revaluation is carried out by council officers to assess the value of additional works to Other Land & Buildings.

Property, Plant & Equipment (PPE) – 2021/22	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	*Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1 April 2021	36,444	1,055		182	-	37,681
Additions	182	187		-	-	369
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(810)	-		-	-	(810)
Revaluation increase / (decrease) recognised in the	(1,738)	-		-	-	(1,738)

Property, Plant & Equipment (PPE) – 2021/22	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	*Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Surplus/Deficit on the Provision of Services.						
De-recognition – Disposals	(52)	-		-	-	(52)
Transfer to other IFRS categories	182	(9)		(182)	-	(9)
At 31 March 2022	34,208	1,233		-	-	35,441
Accumulated Depreciation & Impairment						
At 1 April 2021	(897)	(410)		-	-	(1,307)
Depreciation charge in year	(437)	(117)		-	-	(554)
*Depreciation written out to the revaluation reserve	357	-	-	-	-	357
*Depreciation Written out to the Surplus/ Deficit on the Provision of Services	136	-	-	-	-	136
*Impairment (losses)/ reversals recognised in Revaluation Reserve	-	-	-	-	-	-
*Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
De-recognition – Disposal	3					3
Transfer to other IFRS Categories	-	3	-	-	-	3
At 31 March 2022	(838)	(524)		-	-	(1,362)
Net Book Value At 31 March 2022	33,370	709		-	-	34,079
<i>At 1 April 2021</i>	<i>35,547</i>	<i>645</i>		<i>182</i>	<i>1</i>	<i>36,375</i>

Property, Plant & Equipment (PPE) – 2020/21	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	*Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1 April 2020	34,320	2,337		280	-	88,962
Additions	184	201		7	-	3,287
Revaluation increase / (decrease) recognised in the Revaluation Reserve	1,902	-		-	-	1,902
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services.	(52)	-		-	-	(52)
De-recognition – Disposals	-	(1,541)		-	-	(1,541)

Property, Plant & Equipment (PPE) – 2020/21	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	*Infrastructure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Transfer to other IFRS categories	90	58		(105)	-	43
At 31 March 2021	36,444	1,055		182	-	92,601
Accumulated Depreciation & Impairment						
At 1 April 2020	(903)	(1,855)		-	1	(17,150)
Depreciation charge in year	(467)	(75)		-	-	(2,370)
Depreciation written out to the revaluation reserve	473	-		-	-	473
Depreciation Written out to the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/ reversals recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
De-recognition – Disposal	-	1,541	-	-	-	1,541
Transfer to other IFRS Categories	-	(21)	-	-	-	(21)
At 31 March 2021	(897)	(410)		-	1	(17,527)
Net Book Value At 31 March 2021	35,547	645		182	1	36,375
At 1 April 2020	33,417	482		280	1	34,180

*Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2020/21 £000		2021/22 £000
37,632	Net Book Value at 1 st April	38,699
2,895	Additions	2,628
(1,828)	Depreciation	(1,943)
38,699	Net Book Value at 31st March	39,384

Reconciliation to PPE value in Balance Sheet

31 st March 2021		31 st March 2022
38,699	Infrastructure Assets	39,384
36,375	Other PPE Assets	34,079
75,074	Total PPE Assets	73,463

The Council has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

18. Revaluations

Valuations of vehicles, plant and equipment are at historic cost less accumulated depreciation.

Valued at fair value as at	Infrastructure £000	Vehicles, Plant & Equipment £000	Other Land & Buildings £000	Total £000
Historical Cost	39,384	709	-	709
At 1 April 2019		-	8,672	8,672
At 1 April 2020		-	13,097	13,097
At 1 April 2021		-	11,601	11,601
Total cost or valuation	39,384	709	33,370	34,079

19. 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 exhibits in the Museum and Oakham Castle 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. However, the museum and castle are primarily held for other activities or provide other services) and are therefore accounted for as operational assets and valued in the same way as other assets of that type. They are included within the balance sheet at their depreciated replacement cost.

The museum and castle exhibits have a total insured value of £1,210,000 but none of the items are valued individually and they are not included on the balance sheet as the average value per item would be below the de minimis value of £10,000 that the council adopts for capital accounting purposes.

20. Capital Expenditure & 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.

2020/21 £000	Capital Financing Requirement	2021/22 £000
20,632	Opening Capital Financing Requirement	20,039
	Capital Investment	
3,287	Property Plant & Equipment	2,997
-	- Intangible	9
3,222	Revenue expenditure funded from capital under statute (REFCUS)	2,168
-	- Long Term Debtor	-

Sources of Finance		
(179)	Capital Receipts	(32)
(6,309)	Government Grants and contributions	(5,094)
(614)	Sums set aside from revenue (including direct revenue financing, MRP, VRP and loans fund principals)	(661)
20,039	Closing Capital Financing Requirement	19,426
(593)	Explanation of movement in year Increase/(reduction) in the underlying need to borrow	(613)

21. 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

2020/21	Council as Lessee - Operating Leases	2021/22
£000		£000
68	Not later than one year	68
165	Later than one year and not later than five years	164
127	Later than five years	114
360	Total	346

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

2020/21	Council as Lessee – Minimum Lease Payments	2021/22
£000		£000
62	Minimum Lease Payment	62

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:

2020/21	Council as Lessor - Operating Leases	2021/22
£000		£000
545	Not later than one year	468
1,323	Later than one year and not later than five years	1,250
317	Later than five years	476
2,185	Total	2,194

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

22. Debtors

2020/21 £000	Short-term debtors	2021/22 £000
2,918	Central Government Bodies	682
1,146	Other Local Authorities	215
503	NHS Bodies	487
54	Schools	9
3,003	Other Entities & Individuals	2,980
7,624	Total	4,373

The reduction of £3.25m in short-term debtors has two main causes:

- Central Government Bodies – At the end of 2020/21 the government owed the Council large amounts of grant funding used to support businesses through the pandemic. The need for business support has reduced greatly in 2021/22, as has the funding and very little now relates to business support schemes.
- Other Local Authorities – The majority of this reduction is due the fact that precepts were paid in advance to Parish Councils for the 2020/21 financial year but were not paid until after 31st March for the 2021/22 financial year. Accounting requirements mean that any payments made in advance for the next financial year are treated as debtors at 31st March.

2020/21 £000	Long-term debtors	2021/22 £000
113	Housing Association	112
19	Other	5
132	Total	117

23. Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in Property, Plant and Equipment. The intangible assets are purchased licenses.

2020/21 £000	Intangible Assets	2021/22 £000
	Balance 1 April	
796	Gross Carrying Amounts	760
(412)	Accumulated Amortisation	(577)
384	Net Carrying Amount at Start of the Year	183
-	Additions	9
(15)	Assets derecognised in year	-
(21)	Assets transferred (to)/from other IFRS Categories	5
(165)	Amortisation for the period	(144)
183	Net Carrying Amount at End of the Year	53
760	Gross Carrying Amounts	774
(577)	Accumulated Amortisation	(721)
183	Net Carrying Amount at End of the Year	53

24. Creditors

2020/21 £000	Creditors	2021/22 £000
4,107	Central Government Bodies	7,140
727	Other Local Authorities	812

52	Schools	137
4,354	Other Entities & Individuals	5,157
9,240	Total	13,246

The increase of £4.006m in creditors is due to several causes:

- Central Government Bodies - More money is owed to central government relating to receipts from business ratepayers than in 2020/21. Some of the funding that the Council received relating to support payments for business and households has not yet been distributed and is therefore held as a creditor. Some grants received in 2021/22 will be used to fund projects and provide services in 2022/23.
- Other Entities and Individuals – a higher level of capital grants and contributions has been received in 2021/22. More council tax bills have been paid in advance than in 2020/21.

Accounting requirements mean that any receipts in advance for the next financial year are treated as creditors at 31st March.

25. Provisions

Provision	Balance 1 April £000	Addition to Provision £000	Amount Charged in Year £000	Balance 31 March £000
Appeals (NDR)	1,406	384	(1)	1,788
High-Cost Care case	-	266	-	266
Total	1,406	650	(1)	2,054

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 Council is currently in discussion with other local authorities relating to responsibility for provision of funding for a high-cost care case. The provision has been made to cover costs if it is determined that Rutland County Council is responsible.

26. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2020/21 £000		2021/22 £000
(257)	Interest Received	(117)
1,049	Interest Payable	1,049
Adjust net surplus or deficit on the provision of services for non-cash movements		
(2,530)	Depreciation and Impairment of Non-Current Assets	(2,393)
(58)	Revaluation Losses on Property, Plant and Equipment	(1,853)
(1,967)	Movement in Pension Liability	(4,304)
-	Gains or Losses on Disposal of Non-Current Assets	(50)
(293)	Increase / (Decrease) in Provisions	(648)
(2,139)	Increase / (Decrease) in Creditors	(3,282)
4,325	Increase / (Decrease) in Debtors	(3,251)
(17)	Increase / (Decrease) in Long Term Debtors	(16)
(25)	Increase / (Decrease) in Inventories	33
(180)	Other	(107)
(2,884)	Total Non-Cash Movements	(15,871)

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
7,303	Capital Grants credited to the CIES	5,870
89	Proceed from Disposal of Property, Plant and Equipment	156
(3,222)	Revenue Expenditure Funded from Capital in Statute	(2,168)
(2,583)	Other	908
1,587	Total Investing or Financing Activities	4,766

27. Cash Flow Statement – Investing Activities

2020/21	Investing Activities	2021/22
£000		£000
6,508	Purchase of property, plant and equipment, investment property and intangible assets	5,175
33,500	Purchase of short-term and long-term investments	47,000
(89)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(156)
(33,000)	Proceeds from short-term and long-term investments	(33,500)
(7,304)	Capital Grants Received	(6,408)
(19)	Other	-
(404)	Total	12,111

28. Cash Flow Statement – Financing Activities

2020/21	Financing Activities	2021/22
£000		£000
84	Receipt / Repayment of short and long-term borrowing	84
2,642	Other payments for financing activities	(1,039)
2,726	Total	(955)

29. Cash Flow Statement – Cash & Cash Equivalents

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

2020/21	Cash & Cash Equivalents	2021/22
£000		£000
2	Cash held by the authority	2
8,871	Bank current accounts in credit	7,755
-	Short term deposits	-
(166)	Bank current accounts overdrawn	(25)
8,707	Total	7,732

30. 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 2021/22 the authority paid £0.26 million to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (£0.25 million and 23.68% in 2020/21). 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.

31. 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 career average 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 30 above).

Transactions relating to post-employment benefits

The Council 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:

2020/21 £000	Comprehensive Income & Expenditure Statement	2021/22 £000
	Cost of Service	
4,236	Current Service Cost	6,463
-	Past Service Cost	30
	Financing & Investment Income & Expenditure	
930	Net interest expense	1,181
5,166	Total post-employment benefits charged to the surplus or deficit on the provision of services	7,674
	Other post-employment benefits charged to the CIES	
(16,385)	Return on plan assets (excluding the amount included in the net interest expense)	(8,440)
1,753	Actuarial gains and losses arising on changes in demographic assumptions	(1,068)
31,267	Actuarial gains and losses arising on changes in financial assumptions	(9,751)
(1,010)	Other	969
15,625	Total Re-measurements recognised in CIES	(18,290)
20,791	Total post-employment benefit charged to the CIES	(10,616)
	Movement in Reserves Statement	
(5,166)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(7,674)
1,967	Actual Amount charged against the General Fund Balance for Pensions in the year	4,304
(3,199)	Total Movement in Reserves Statement	(3,370)

2020/21 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2021/22 £000
(90,840)	Fair Value of Employer Assets	(100,479)
148,392	Present Value of Defined Benefit Obligation	145,602
57,552	Net liability arising from defined benefit obligation	45,123

The net pensions liability has decreased by £12.429m. The major causes of this decrease are:

- an increase in the discount rate used to calculate the value of the liabilities.
- investment returns have been greater than expected.
- updated longevity assumptions.

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.

2020/21 £000	Reconciliation of the Fair Value of the Scheme Assets	2021/22 £000
71,830	Opening fair value of Scheme Assets	90,840
1,662	Interest Income	1,825
16,385	Return on plan assets, excluding the amount included in the net interest expense	8,440
-	Remeasurements – other experience	(1,557)
3,199	Contributions from Employer	3,370
836	Contributions from Employees	837
(3,072)	Benefits Paid	(3,276)
90,840	Closing Fair Value of Scheme Assets	100,479

2020/21	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2021/22
£000		£000
111,790	Opening Liability at 1 April	148,392
4,236	Current Service Cost	6,463
2,592	Interest Cost	3,006
836	Contributions from Scheme Participants	837
1,753	Actuarial gains/losses arising from changes in demographic assumptions	(1,068)
31,267	Actuarial gains/losses arising from changes in financial assumptions	(9,751)
(1,010)	Other	969
-	Past Service Costs	30
(3,072)	Benefits Paid	(3,276)
148,392	Closing Liability at 31 March	145,602

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £45.123 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 2023 is £3.282 million.

The following table details the composition of the Scheme Assets into classes that distinguish the nature and risks of those assets.

2020/21		Local Government Pension Scheme Assets		2021/22	
Quoted Prices in Active Markets £000	Quoted prices not in Active Markets £000			Quoted Prices in Active Markets £000	Quoted prices not in Active Markets £000
1,582	-	Equity Securities		838	-
		Debt Securities			
7,677	15	UK		5,032	12
1,177	-	Other		188	-
8,854	15	Total debt securities		5,220	12
-	4,189	Private Equity		-	6,720
-	6,790	Real Estate		-	7,731
		Investment Funds & Unit Trusts			
21,023	15,461	Equities		28,794	17,469
3,839	-	Bonds		-	-
8	-	Hedge Funds		-	-
-	3,213	Commodities		-	2,521
-	4,778	Infrastructure		-	5,253
6,525	11,960	Other		8,543	12,096
31,394	35,411	Total investment funds & unit trusts		37,337	37,339
(115)	-	Derivatives		208	
2,721	-	Cash & Cash Equivalents		5,074	
44,435	46,405	Closing Fair Value of Scheme Assets		48,677	51,802

Basis for estimating assets and liabilities

The Local Government Pension Scheme liabilities have been assessed on an actuarial basis by Hymans Robertson, the independent actuaries to the Leicestershire County Council Pension Fund based on the latest assumptions of the scheme as at the 31 March 2022. The projected unit credit method has been used - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The significant assumptions used by the actuary are:

2020/21		2021/22
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
21.7	Men (years)	21.5
24.2	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
22.6	Men (years)	22.3
25.9	Women (years)	25.9
	Financial Assumptions	
3.30%	Rate of Inflation	3.65%
3.35%	Rate of increase in salaries	3.70%
2.85%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.70%
50.00%	Take-up of option to convert annual pension into retirement lump sum pre-April 2008 service	50.00%
75.00%	Take-up of option to convert annual pension into retirement lump sum post April 2008 service	50.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis as previously shown did not change from those used in the previous period.

The impact of those assumptions is shown in Note 38 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty.

Impact on the Council's Cash Flows

The figures are prepared in accordance with the latest version of IAS19, as last amended on 7 February 2018. This amendment has been included in the Code for 2021/22 financial accounts. The calculations have been carried out in accordance with Pension Technical Actuarial Standard 100 adopted by the Financial Reporting Council, which came into force on 1 July 2017 and other Technical Actuarial Standards.

The weighted average duration of the defined benefit obligation for active members is 21 years.

32. Contingent Liabilities

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.

33. Contingent Assets

The Council is party to an agreement by which it will receive an amount due to over-performance against a contract. The amount the Council will receive depends on the performance of the supplier, so this cannot be accurately recognised within the Councils accounts.

34. 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.

2020/21 £000	Trust Funds	2021/22 £000
7	Income	7
(11)	Expenditure	(9)
215	Assets	231

35. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Director for Resources on 30 June 2022. 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 as at 31 March 2022 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

36. Accounting Standards Issued Not Yet Adopted

The accounting standards the Council must follow when preparing the Statement of Accounts are now endorsed by the UK instead of the EU.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom, these are:

- Amendments to IFRS 1 – First Time Adoption – Foreign Operations of Acquired Subsidiaries
- Amendments to IAS 37 – Onerous Contracts – clarifies the intention of the standard
- Amendments to IFRS 16 – Leases – removal of a misleading example
- IAS 41 – Agriculture
- Amendments to IAS 16 – property, Plant & Equipment – Proceeds before intended use.

None of these amendments are expected to have an impact on the Council's accounts in future years.

37. Critical judgements in applying accounting policies

In applying the accounting policies, set out from page 67, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- Whether grant funding provided by central government to support businesses and individuals through the Covid 19 pandemic was paid out as an agent of central government or by the Council acting as principal. Paragraph 2.6.2.1 of the Code of Practice states that an authority is acting as an agent in situations or circumstances "where the authority is acting as an intermediary." This was analysed by considering the conditions in the grant determinations relating to the funding. If the determination set out a specific amount to be paid, the criteria as to who was eligible, and that the Council would receive more funding if it paid out more than it received, and must repay any excess funding, the income and associated expenditure was treated as being paid out as an agent and removed from the accounts. As shown in Note 1 on page 24 approximately £1.5m of expenditure and £2.5m of income were treated as being paid as an agent of central government and have therefore been removed from the accounts. The note shows the impact if all of this income and expenditure had not been removed from the CIES. Approximately £250k of the income has been accrued as a creditor with central government and will be repaid to in 2022/23.
- Whether leases should be classified as Operating Leases or Finance Leases. Paragraph 4.2.2.2 of the Code of Practice sets out the definition of a finance lease – a lease that transfers substantially all the risks and rewards of ownership of an asset (even though title to the property may not be transferred). Leases are assessed at inception by considering which party to the agreement has the risks and rewards of ownership, such as if there is an option for the lessee to purchase the asset at a lower price than its fair value, whether the present value of the minimum lease payments (as shown in Note 21) amounts to substantially all of the fair value of the asset, and who is responsible for repairs. The Council leases in several properties including Ketton Business Centre, the two civic amenity sites, the Catmose Sports Halls, part of St Mary & St John School at North Luffenham, and Brightways Day Centre. The majority of these properties were classified as operating leases prior to the implementation of IFRS. The Council chose not to reassess these leases as allowed by the transitional arrangements when IFRS were implemented in 2010/11. Some leases have been entered into since 2010/11. If the leases had been assessed as finance leases, the values of the properties would need to be added to the Council's Balance Sheet (and subsequently depreciated), with an associated liability for repayment of the principal – values have not been obtained for the properties, so it is not known how much this would increase the amount of Property, Plant & Equipment and Long-term Liabilities figures but it would be a material amount in the millions. The Council would also need to split the payments made to the lessor between repayments of principal and payments of interest. Repayments of principal would reduce the

liability on the Balance Sheet, while payments of interest would be included in the CIES, along with depreciation charges for the leased in assets. The Council also leases out several assets including industrial units, school playing fields and garages - similar assessments were undertaken. If these leases had been assessed as finance leases, the assets would be removed from the Balance Sheet (an amount in excess of £6.5m) and income would be split between repayment of principal (treated as a capital receipt) and interest income.

- Whether contracts contain a lease. New contracts are assessed to determine whether they contain a finance lease, ie. whether the Council obtains the majority of the benefit of the assets over their lifetime (risks and rewards of ownership). There are only three contracts for which a different judgement would have a material impact on the accounts: the Waste Management contract, the Grounds Maintenance contract and the Highways Maintenance and Repair contract. Various equipment and vehicles are utilised by the contractors in providing services under the contracts. The Council does not know the value of these assets, so it is not possible to assess what amount would need to be added to the Balance Sheet, but it would be a material amount.
- Whether to treat a specific grant as a Receipt in Advance. Paragraph 2.3.2.9 of the Code requires that "grants and contributions that satisfy the recognition criteria in paragraph 2.3.2.8, but which have a condition attached that remains to be satisfied are recognised initially in the grants receipts in advance account. Covid 19 Additional Reliefs funding of £947k was received from central government and at 31st March it had not been spent. The grant conditions state that any unspent grant must be repaid, so the grant has been recognised as a Receipt in Advance (creditor on the Balance Sheet) rather than income in the CIES.

38. 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 Council 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 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Property assets – carrying value £33.4m at 31 March 2022

Valuations of property assets use assumptions relating to:

- a) building costs at the date of valuation
- b) comparable evidence and
- c) income – based on rental values, return on investment or income generating potential

a) Owing to the current supply chain difficulties, and the high level of inflation, there is a significant risk of a material adjustment where value has been based on building costs at the balance sheet date. The carrying amount of these assets at the balance sheet date is £18.4m.

b) Where comparable evidence has been used to produce values, there is a risk of material adjustment if there are insufficient comparable properties, special circumstances apply, and/or if valuers have had to adjust values (a subjective judgement) to allow for this. The carrying amount of these assets at the balance sheet date is £5.5m.

c) The income method assumes that income achievable can be forecast (either through revenue income or capital value). In the current economic climate forecasting is very uncertain leading to a risk of material adjustment in the next financial year. The carrying amount of these assets at the balance sheet date is £9.5m.

Due to the volatility of the economic climate, government policy changes to combat this, and ongoing global events, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of these assets. However, as some of the assumptions could result in increases to the value of assets (eg. increased building costs) and others could result in decreases (eg. the council offering rent concessions or market collapse), it is not possible to quantify the effect.

The financial impact in the 2021/22 financial year on the asset values due to changes to the assumptions made at 31 March 2021 are as follows:

- Change in building cost assumptions – reduction of £1.3m
- Change in comparable evidence assumptions – reduction of £1.5m
- Change in income assumptions – increase of £0.6m

Pension Fund Liabilities – carrying value £145.6m at 31 March 2022

Valuations of pension fund liabilities use many assumptions:

- a) the discount rate (long term expected rate of return on assets)
- b) life expectancy of members of the fund
- c) future increases in salaries leading to higher contributions
- d) future increases in pensions paid

The discount rate and future increases in salaries and pensions are impacted by the economic climate, specifically inflation and/or government policy to combat this, and at a time of global volatility, it is likely that these assumptions will change. Similarly, though in a less direct manner, life expectancy can be impacted by economic pressures and also by global health circumstances. The actuaries who calculate the valuations have provided the following sensitivity analysis based on the assumptions used at 31 March 2022:

Change	Monetary Impact
0.1% decrease in Discount Rate	£2.7m
1 year increase in Life Expectancy	£5.8m
0.1% increase in Salary Increase Rate	£0.2m
0.1% increase in Pension Increase Rate (CPI)	£2.5m

The financial impact on the pension liabilities of changes to the assumptions made at 31 March 2021 are as follows:

- Change in financial assumptions – reduction of £9.8m
- Change in demographic assumptions – reduction of £1.0m

39. Accounting for Schools

Local authority maintained schools are considered to be separate entities with the balance of control lying with the Council. As such the Council consolidates the activities of schools into its accounts. The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied. The Council has considered its accounting arrangements for each school, on a case-by-case basis, under the terms of: • IAS 16, Property, Plant and Equipment • IAS 17, Leases • IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The Council has two Voluntary Controlled primary schools and one Voluntary Aided primary school under its control. Academies are not considered to be controlled by the Council and are not consolidated into the accounts.

In line with the terms of the accounting standards identified above, the Council has recognised the land for the Voluntary Aided school, and the land and buildings for the Voluntary Controlled schools on its Balance Sheet.

The table below shows the transactions consolidated into the Council's accounts.

2020/21	Schools Transactions Consolidated into Rutland County Council Statement of Accounts	2021/22
£000		£000
2,972	Expenditure	3,123
(3,049)	Income	(3,276)
7	Assets	7,477
(84)	Liabilities	(133)
(625)	Total Reserves	(772)

Whilst the Council is required to report the transactions of local authority maintained schools within its accounts, it has not included details of employees of the schools in Note 4 - Officers' Remuneration, as they are employed by the relevant governing body.

Collection Fund

2020/21	Collection Fund	Council Tax	2021/22 Business Rates	Total
Total		£000	£000	£000
	Income			
(33,069)	Council Tax Receivable	(34,552)	-	(34,552)
(7,104)	Business Rates Receivable	-	(9,231)	(9,231)
-	Transitional Protection Payments Receivable	-	(89)	(89)
-	Annex Grant	-	-	-
(175)	S13 Reliefs including Local Council Tax Support - General Fund Contribution	(131)	-	(131)
(40,348)	Total Income	(34,683)	(9,320)	(44,003)
	Expenditure			
	Precepts			
28,551	Rutland County Council	29,384	-	29,384
3,651	Leicestershire Police	3,885	-	3,885
1,064	Leicester, Leicestershire & Rutland Fire Authority	1,085	-	1,085
33,266	Total Precepts	34,354	-	34,354
	Business Rates Shares			
5,672	Central Government	-	5,819	5,819
5,558	Rutland County Council	-	5,702	5,702
113	Leicester, Leicestershire & Rutland Fire Authority	-	116	116
11,343	Total Business Rates Shares	-	11,637	11,637
	Charges to the Collection Fund			
70	Write Off - Uncollectable Amounts	76	34	110
67	Increase / (Decrease) in Bad Debt Provision	48	(61)	(13)
637	Increase / (Decrease) in Appeals Provision	-	783	783
61	Cost of Collection	-	62	62
7	Renewable Energy	-	27	27
53	Transitional Protection Payments Payable	-	-	-
895	Total Charges to the Collection Fund	124	845	969
	Distribution of Previous Year's Estimated Collection Fund Surplus/(Deficit)			
(127)	Central Government	-	(2,229)	(2,229)
(17)	Rutland County Council	(76)	(2,185)	(2,261)
14	Leicestershire Police	(10)	-	(10)
1	Leicester, Leicestershire & Rutland Fire Authority	(3)	(45)	(48)
(129)	Total Distribution of Previous Year's Estimated Collection Fund Surplus/(Deficit)	(89)	(4,459)	(4,548)
45,376	Total Expenditure	34,389	8,023	42,412
5,028	(Surplus) / Deficit on Collection Fund	(294)	(1,297)	(1,591)
	Collection Fund Balance			
116	(Surplus)/Deficit B/Fwd 1 April	154	4,990	5,144
5,028	(Surplus)/Deficit Arising During the Year	(294)	(1,297)	(1,591)
5,144	(Surplus)/Deficit C/Fwd 31 March	(140)	3,693	3,553

1. Collection Fund Overview

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates (BR) and its distribution to local government bodies and the Government. The Council, as a billing authority, has a statutory requirement to operate a Collection Fund as a separate account to the General Fund.

There is no requirement for a separate Collection Fund balance sheet. Instead, Collection Fund balances are distributed across the balance sheet of the billing authority, the Government and precepting authorities.

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total BR received. Rutland County Council's share is 49% with the remainder distributed to other bodies. For Rutland the BR bodies are Central Government (50% share) and The Leicestershire Fire Authority (1% share).

In its Spending Review the Government announced that it would localise support for Council Tax from April 2013, this meant that there would no longer be a nationally governed Council Tax Benefit (CTB) scheme and each council set their own schemes.

2. Business Rates

The total non-domestic rateable value as at 31 March 2022 was £32.813 million (31 March 2021 - £32.93 million).

The standard BR multiplier for 2021/22 was 51.20 pence (2020/21 – 51.20 pence). The small business multiplier for 2021/22 was 49.90 pence (2020/21 49.90 pence).

3. 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 2021/22 is calculated as follows:

2020/21 Band D Equivalent	Band	Ratio	Number of Chargeable Dwellings	2021/22 Band D Equivalent
2.35	A (with Disabled Relief)	5/9	4.24	2.36
731.48	A	6/9	1,093.83	729.88
2,676.24	B	7/9	3,404.68	2,649.63
2,446.86	C	8/9	2,749.12	2,443.66
2,287.31	D	9/9	2,279.51	2,279.51
2,661.40	E	11/9	2,166.11	2,647.47
2,264.55	F	13/9	1,558.17	2,250.69
2,065.53	G	15/9	1,238.72	2,064.52
260.20	H	18/9	129.50	259.00
15,395.92	Total			15,326.72
449.10	Ministry of Defence contribution in lieu of council tax			449.10
(192.54)	Allowance for non-collection			(193.23)
15,652.48	Council Tax Base			15,582.59

4. Impairment

The balances owing from businesses and council taxpayers at the reporting date for which there is a risk that they may not be collected are shown below. They have been considered with regard to their age and the likelihood of repayment.

	Business Rates £'000	Council Tax £'000
Assets past due but not impaired	82	731
Assets impaired		
2003-04	-	-
2004-05	-	1
2005-06	-	1
2006-07	-	1
2007-08	-	2
2008-09	-	3
2009-10	-	4
2010-11	-	7
2011-12	-	9
2012-13	-	8
2013-14	-	9
2014-15	-	8
2015-16	-	15
2016-17	3	25
2017-18	3	43
2018-19	7	84
2019-20	11	156
2020-21	16	323
2021-22	64	-
Total Assets Impaired	104	699

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

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 contracts with service recipients, whether for service or the provision of goods, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 receivable on investments and payable on borrowing is accounted for respectively as income and expenditure 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.

The year-end de minimis for debtor and creditor accruals is £1,000 until the revenue account is closed. After that point accruals are only made at the discretion of the Finance Manager where the omission would have a material effect on the revenue account or Statement of Accounts.

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 highly liquid investments that mature in three 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 Council's cash management.

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 Council'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.

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 the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council 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.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislation framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangement will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses, for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. 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 rate 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 the holiday entitlements 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 Council 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 appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognised costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provision require the General Fund Balance to be charged with the amount payable by the Council 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 Pension 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 amount payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members 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 worked for the Council.

However, the arrangements for the teachers' scheme mean that the liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Peoples Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and equally the Adult Social Care and Public Health for the NHS scheme.

The Local Government Pension Scheme

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

- The liabilities of the Leicestershire County Council pension fund attributable to the Council 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, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)
- The assets of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - 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:
 - Service cost comprising
 - 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.
 - 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.
 - 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.
 - Re-measurements Comprising
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - 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 Pension Reserve as Other Comprehensive Income and Expenditure
 - 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 Council 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 transfers to and from the Pension 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension 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 earned by employees.

Discretionary Benefits

The Council 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.

Events After the Reporting 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 issue. 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 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.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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 Council 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets measured at Amortised Cost

Financial Assets measured at amortised cost 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 most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIEs is the amount receivable for the year in the loan agreement.

However, the Council has made loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year- the reconciliation of amounts debited and credited to the CIES to the net gain required against the general fund balance is managed by a transfer to or from the Financial Instruments Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

The authority has a portfolio of a small number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of

lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

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 Council 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 Council 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 in the form of 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 an Expenditure (non-ringfenced revenue 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.

Grants received from central government that are to be passed on to other bodies are treated according to who has control over the way the money is distributed. If central government determines who is eligible for funding and what amount individuals or businesses can receive, then the transactions relating to this are not included in the Council's accounts – the Council is simply acting as an agent. If the Council can set its own eligibility criteria to distribute the funding, and determine the amounts to be paid, then the transactions are included in the accounts. In this case the Council is acting as a principal.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable development for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (These include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are not held in the Balance Sheet, and as heritage assets held have indeterminate

lives and a high residual value, the Council does not consider it appropriate to charge depreciation for the assets.

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg. bridges), street lighting, street furniture (eg. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Expenditure

Expenditure on the acquisition or replacement of components of the network such as work on an individual road is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably

Measurement

Highways infrastructure assets are generally measured at a modified form of depreciated historical cost. Opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount. However, the opening balance relating to highways infrastructure assets in the Council's balance sheet when they were transferred from Leicestershire County Council was a lump sum that was deemed to be depreciated historical cost. It was not possible to disaggregate this amount between individual roads, bridges, etc.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Principal Highways Manager using industry standards where applicable. For all infrastructure assets apart from bridges and street lighting, the useful lives have been assessed as 25 years. For bridges it is 100 years, and for street lighting is 40 years.

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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. 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). The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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 weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the good or services transferred to the service recipient during the financial year.

Investment Properties

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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 Council 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 lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council 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 is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council 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 and therefore substituted by a revenue contribution in 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 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 (eg. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council 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 (whether Property, Plant and Equipment or Asset 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. A gain, representing the Council'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 (ie. 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 Council 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.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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.

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 Council 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 (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.

- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. A minimum of £10,000 capital expenditure is applied for an asset to be added to the Balance Sheet.

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

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 and expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement costs (instant build) as an estimate of current value.
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services 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)

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 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 each 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)
- 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(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 useful life of the property as estimated by the valuer
- vehicles, plant, and equipment – straight-line allocation over the useful life of the asset ranging between 5 and 10 years
- infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset 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 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 classification and then carried at the lower of this amount and 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 previously recognised losses 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 held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as 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.

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.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 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 Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 Council 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 Council.

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.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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 Council 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.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance for local authority-maintained schools (i.e., those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves, and cash flows are recognised in the local authority financial statements (and not the Group Accounts) Therefore schools transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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 (HMRC). VAT receivable is excluded from income.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets, investment properties and some of its financial instruments as applicable at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling to another market participant that would use the asset in its highest or best use

Where there is not an active market for the asset or liability the authority uses professional services such as qualified valuers to measure the fair value.

Accounting for Schools

Local authority maintained schools, in line with relevant accounting standards and the Code, are considered to be separate entities with the balance of control lying with the Council. As such the Council should consolidate the activities of schools into its accounts. The Code of Practice requires that the income, expenditure, assets, and liabilities of maintained schools be accounted for in local authority entity accounts rather than requiring the preparation of group accounts.

Where it is not clear whether expenditure incurred relates specifically to capital, it will be left as revenue expenditure.

Where a school proposes to transfer to Academy status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation, which maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue, on the basis of the permitted use within the lease agreements, to be used for the provision of education services, thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration.

Glossary

Accruals - The concept that revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are treated on an accruals basis with income and expenditure due as at 31 March brought into the accounts.

Accumulating Compensated Absences Adjustment 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.

Agent – Where the Council acts as an intermediary between other bodies, e.g., central government and local businesses to pass income between the two.

Amortisation – The reduction in the useful economic life of a long-term intangible asset, whether arising from time or obsolescence through technological or other changes.

Annual Governance Statement – Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Balance Sheet - Fundamental to the understanding of a local Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, and the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of a local Council, which are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance for all the other services provided by the Council. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall of income. A local Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget (Medium Term Financial Plan (MTFP)) - A statement of a Council's plans for net revenue and capital expenditure over a specified period of time.

Capital Adjustment Account – This account was created at midnight on 31 March 2007 and its opening balance was made up of the balance on the Fixed Asset Restatement Account (FARA) and the Capital Financing Account.

Capital Charge - A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of their services.

Capital Expenditure - Expenditure on the acquisition or development of major assets which will be of use or benefit to a Council in providing its services beyond the year of account.

Capital Grant - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by a Council, for example, to homeowners to meet the cost of improving their houses.

Capital Receipts - Proceeds from the sale of non-current assets, e.g., land and buildings. The proceeds can be used to finance new capital expenditure or repay debt. It cannot be used to finance revenue expenditure.

Collection Fund - A statutory fund in which a Council records transactions for Council Tax, National Non-Domestic Rates, and residual Community Charges.

Community Assets - Assets that the local Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income and Expenditure Statement - Reports the income and expenditure for all the Council's services and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Council – Means 'Rutland County Council' specifically. The Council is a local Council, and this term is used in these definitions, and in the Statement of Accounts', to define any or all Councils.

Creditor - An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period but for which payment has not been made.

Current Asset - An asset which can be expected to be consumed or realised during the next accounting period.

Current Liability - An amount which will become payable or could be called in within the next accounting period, e.g., creditor, cash overdrawn.

Debt Redemption - The repayment of loans raised to finance capital expenditure.

Debtor - An amount owed to a local Council within the accounting period, but not received at the Balance Sheet date.

Dedicated Schools Grant (DSG) – Grant received from Department for Education to fund schools related expenditure.

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.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset, whether arising from use, time, or obsolescence through technological or other changes.

Derecognition – The term used for the removal of an asset or liability from the balance sheet.

Revenue Contribution to Capital Outlay (RCCO) - A contribution to the financing of capital expenditure by a charge to the Comprehensive Income and Expenditure Statement. This can be used to supplement a local Council's other capital resources.

Effective Rate of Interest – The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity Instrument – A contract that evidences a residual interest in the assets of an entity after deducting all its liabilities (e.g., an equity share in a company).

Fair Value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financing Charges - Annual charges to the Comprehensive Income and Expenditure Statement of a local Council to cover the interest on, and repayment of, loans raised for capital expenditure.

Finance Lease - A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset

Financial Asset – A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, and loans receivable.

Financial Instrument – Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instrument Adjustment Account – This is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.

Financial Liability – An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Long Term Asset - An asset which has value beyond one financial year

General Fund - The main revenue account of a local Council which summarises the cost of all services provided by the Council which are paid for from Council Tax, government grant and other income.

Government Grants and Subsidies - Grants towards either the revenue or capital cost of local Council services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally e.g., Revenue Support Grant.

Heritage Assets – 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.

IAS 19 - This is an International Accounting Standard (which replaces Financial Reporting Standard 17) now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in Financial Accounts. It is based on the principle of recognising pension costs in the financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

Impairment – The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Infrastructure Assets - Assets that are inalienable, i.e., may not be sold, transferred, or assigned to another. These include facilities required to enable other developments to take place e.g., roads and street lighting.

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

Loans Outstanding - The total amounts borrowed from external lenders for capital and temporary revenue purposes and not repaid at the Balance Sheet date.

Local Council – A corporate body, established by statute, to undertake specific local functions. It is governed by Members (also known as Councillors) who are either elected or appointed. Rutland City Council is a 'local Council'. In these definitions, the term 'local Council' is used to describe one or all Councils generally. Sometimes, this is shortened to just 'Council'.

Minimum Lease Payments – Those lease payments that the Council is, or can be, required to make.

Minimum Revenue Provision (MRP) - This is the minimum amount which must be charged to a local Council's Comprehensive Income and Expenditure Statement and set aside to repay debt. It is calculated by charging 4% on all borrowing up to the 1st April 2007 and for any new supported borrowing. For the remaining unsupported borrowing, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Business Rates (BR) - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property.

Operating Leases - Leases under which the ownership of the asset remains with the lessor.

Pooling – The term used for the calculation and payment of a proportion of housing capital receipts into a national pool for redistribution.

Precept - The amount a local Council, who cannot levy a council tax directly on the public (e.g., Fire and Police authorities, Parish councils), requires it to be collected on its behalf.

Principal – Where the Council is acting on its own behalf e.g., where it has full discretion as to who should receive grant funding and the amount that can be awarded to each recipient.

Provisions - Required for any liabilities of uncertain timing or amount that have been incurred. Provisions are set aside in the accounts and charged to individual services. When the relevant expenditure occurs, it is charged direct to the Provision.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas or expected future commitments.

Revaluation Reserve – This account was created on 1 April 2007 and its balance represents the revaluation gains accumulated since 1 April 2007.

Revenue Expenditure - The day-to-day running costs a local Council incurs in providing services (as opposed to capital expenditure).

Revenue Support Grant (RSG) - A general grant paid by the government and recognised in the General Fund to help finance local Council revenue expenditure.

Supported Borrowing – The amount of borrowing assumed by Government in the calculation of their grant payment.

Usable Reserves – Those reserves that can be applied to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements.

Unsupported / Prudential borrowing – The amount of borrowing for which there is no grant to support its revenue impact.

VAT – VAT is an indirect tax levied on most business supplies of goods and service

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

Annual Governance Statement 2021/22

Appendix 2

Annual Governance Statement 2021/22

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 and facilitating the effective exercising 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 (updated in 2016) 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 (“AGS”).

The Purpose of the Governance Framework

- 1.4 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 Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.5 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.
- 1.6 The governance framework has been in place at Rutland County Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts. Where there have been changes to the Governance framework in the year, these are outlined in the relevant sections below. Key events and

issues falling outside of the 21/22 financial year but relevant to the Governance Framework are included in this AGS.

The Governance Framework

1.7 Overview

1.7.1 The Council has a 'Local Code of Governance' which states our commitment to complying with the principles of good governance and references relevant documents where stakeholders can find out more. This section of the AGS describes some of our arrangements in more detail.

1.8 Coronavirus Pandemic

1.8.1 From mid-February 2020, the Council joined the Leicestershire, Leicester, and Rutland (LLR) Local Resilience Forum (LRF) in preparing its response to the Coronavirus pandemic. The Council invoked the emergency delegation in the Constitution (11.10.5) which allowed the Chief Executive "to take any urgent action necessary in the event of a civil emergency and deal with matters relating to civil protection/emergency planning arising from the Council's powers and duties under the appropriate legislation." The Council also used the provisions in the Financial Procedure Rules (4.6) which allowed the Chief Finance Officer to put in place alternative financial systems in the case of a major incident.

1.8.2 As part its response, the Council quickly established a Rutland Strategic Coordinating Group (RSCG) comprising of senior management and a Rutland Tactical Coordinating Group (RTCG) involving key officers from across the Council.

1.8.3 During 20/21 these corporate arrangements were still in place but by the end of the financial year and the start of 21/22 meetings were less frequent (weekly rather than several times a week) as the vaccination roll out progressed, Council services started to move back towards 'normal' and the Government had announced a four-stage plan for the lifting of lockdown measures. However, it was still necessary to maintain social distancing, wear masks and follow the various other safety measures that were needed to keep COVID in check and the Council's services was still heavily involved in Covid delivery including:

- Hosting the Rutland's vaccination centre in the Council Chamber;
- Running the testing centre at Oakham Enterprise Park which was still open for lateral flow tests;
- Operating temporary booking system for the HWRC until the full service was re-opened in July;
- Re-opening the libraries from April 12th;
- Organising the Community Collect network which was in place with tests available from local libraries;
- Operating a business grants scheme with the remaining balance of the Additional Restrictions Grant (ARG) allocation of £202,000;
- Re-opening the Museum and Castle in May and introducing longer opening hours in July;

- Winding down testing at Oakham Enterprise Park from July and moving to a more community-focused testing service, with more testing kits distributed direct to residents through local volunteer organisations and community groups;
 - Work closely with health colleagues to facilitate hospital discharge and reduce the pressure on NHS services alongside direct contact with vulnerable people, to make sure they are receiving the right support; and
 - Continuing to operate a self-isolation payments scheme for those affected.
 - Running a new grant scheme following the onset of Omicron.
- 1.8.4 From a governance perspective, emergency powers continued but were used less frequently with the Council's calendar of meetings being reinstated albeit with most meetings being held virtually (under the virtual meeting regulations) except Council.
- 1.8.5 The Decision-Making Log which was created for the use of the emergency powers (and other delegated powers that were deployed during the crisis) was still used. This Log was created to record the decisions that had been made, who was consulted in relation to each decision and the powers that they have been made under. A redacted version of the Log was published on the Council's website.
- 1.8.6 Delivering a response to the pandemic continued to be fraught with challenges. The timing of Government guidance often created uncertainty and confusion which was compounded by the lack of detail when it did eventually arrive. This not only impacted the Council but businesses and other partners the Council were working with. One of the key challenges was also around resourcing – whilst staff were diverted from non-Covid activities, decisions about whether to bring in additional resource were made difficult by uncertainty about how long the pandemic would go on and uncertainty around future funding.
- 1.8.7 The impacts and consequences from the pandemic on the Council are difficult to separate out from Brexit, the onset of the war in Ukraine and other issues impacting the economy. The Council noted this as a key risk on its strategic risk register but has since deleted it and is tracking impacts through monitoring service challenges. The two key risks can be categorised as follows:
- Financial – the Council Government received funding to deal specifically with the response, some of which it was required to passport to providers. In general, funding has been sufficient to cover any short term costs. In terms of key income generating services then income was impacted but towards the end of March income levels started to return to pre Covid levels. The collection rate for council tax have held up but additional support was provided to the most financially vulnerable. Business rates income has not dropped as many businesses enjoyed rate relief and again this will be monitored into 22/23. Towards the end of the year, we began to see significant inflationary pressures (energy, staff costs from National Living Wage and National insurance rises) from suppliers as the cost of living crisis kicked in but it is difficult to attribute this solely to the pandemic.
 - Operational impacts – with key services stopped and resources diverted, officers have reinstated key services and are catching up on backlogs. To

date, it has been difficult to point to significant impacts, but the position continues to be monitored.

- 1.8.8 In December 2021 the Internal Audit team undertook a review of how the Council has responded to some aspects of the pandemic and gave positive assurance. This review was considered by the Audit and Risk Committee.

1.9 **Vision, Aims and Objectives**

- 1.9.1 The Council has a Corporate Plan covering the period 2019 – 2024. The Corporate Plan serves as a roadmap for what the Council wants to achieve during its current four-year term. The Plan was developed following the local elections in May 2019.

- 1.9.2 The Plan was taken through the Scrutiny process and approved in January 2020. The Plan can be found here:

<https://www.rutland.gov.uk/my-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan/>

- 1.9.3 The aims and priorities are underpinned by actions and targets which will be reported on quarterly through the corporate performance report. These targets form the basis for planning for the Budget, Local Plan, and other Strategic Plans as well as service and team plans.

- 1.9.4 The Council has reported on performance against the Corporate Plan throughout 21/22 with high level performance reports provided to all Councillors on a quarterly basis with an in-depth report presented to Cabinet in quarter 2 and an annual report covering the full year, including Quarter 4, scheduled for Full Council in July.

Future Rutland Vision and new Corporate Strategy

- 1.9.5 The Future Rutland Vision (FRV) is a shared Vision for the County which reflects the aspirations of residents, captured following the Future Rutland Conversation - an extensive community engagement exercise.

- 1.9.6 The Future Rutland Conversation followed a commitment made in Rutland County Council's latest Corporate Plan (2019-2024) to develop a 50-year vision that will identify key priorities, emerging issues and give the county a long-term plan of action.

- 1.9.7 The Future Rutland Conversation was launched in April 2021 as an opportunity for the people of Rutland to have their say on how they would like the future of the County to look like. Between April and June 2021, more than 2,000 people took part in surveys and discussions to find out what they value most about life in Rutland. This information was then reviewed and published in a series of 10 summary reports that can be viewed online at: www.rutland.gov.uk/futurerutland. Later, residents were invited to review these reports and provide further feedback on what had been shared by others.

- 1.9.8 All of these views and comments have since been translated into a final Vision for the future of the County which was endorsed by Cabinet in March and

Council in April.

- 1.9.9 Members are in the process of developing a new Corporate Strategy to better reflect the needs of the County and the current landscape, following the pandemic. The Future Rutland Vision (FRV), alongside the Council's current strategic plans and commitments, provided the basis for the new Corporate Strategy which sets out how the Council will contribute to the aspirations contained within the FRV, outlined through a series of commitments against each of the four priority themes.
- 1.9.10 The new Corporate Strategy was approved by Cabinet for consultation and will be finalised for Full Council approval in July subject to feedback.

<https://www.rutland.gov.uk/my-council/my-councillors/council-leaders-blog/our-new-corporate-strategy-23-may-2022/>

1.10 Political and Constitutional Arrangements

- 1.10.1 As of 1st April 2021 the political composition of the Council's Groups was as follows: 15 Conservative, 6 Independent and Green, 3 Liberal Democrats and 3 non-aligned. There were a number of changes to the political composition of the Council throughout the year, and these are covered below and in the Elections section of the statement.
- 1.10.2 In May at the Annual Council meeting, Councillor Jeff Dale (non-aligned Independent) was elected to serve as the Council's Chairman. Councillor Nick Begy (Conservative) was chosen to continue as Vice-Chairman.
- 1.10.3 Appointments for Councillors to chair individual Scrutiny Committees were also made at Annual Council, as follows:
- Councillor Samantha Harvey (Conservative) – Adults and Health Scrutiny Committee
 - Councillor Paul Ainsley (Conservative) – Children and Young People Scrutiny Committee and the Scrutiny Commission
 - Councillor June Fox (Conservative) – Growth, Infrastructure and Resources Scrutiny Committee
- 1.10.4 A number of changes to Cabinet roles were also confirmed at Annual Council. Councillor Ian Razzell joined the Council's Cabinet as Portfolio Holder for Planning. Councillor Karen Payne's portfolio was expanded to include Governance and Performance.
- 1.10.5 In November, Councillors Alan Walters and Paul Ainsley, Ward Members for Oakham Northeast, and Oakham Northwest respectively, left the Conservative group to sit as non-aligned Independents.
- 1.10.6 Councillor Walters also left Cabinet and was replaced by Councillor Samantha Harvey on 13 December 2021 with Councillor Gale Waller (Liberal Democrat) becoming the Chair of Adults and Health Scrutiny.
- 1.10.7 At this time Cllr Ian Razzell's portfolio was expanded to become Portfolio Holder for Planning, Highways and Transport. These services were transferred from Councillor Lucy Stephenson's portfolio who took on Leisure

instead.

1.10.8 The Annual Council Meeting in May saw significant changes after Council Leader Oliver Hemsley stood down. He was replaced by Lucy Stephenson (Conservative), who was elected by a majority of 18 Councillors. As the newly elected Leader of Rutland County Council, Cllr Stephenson named an alliance Cabinet made up of the following Elected Members:

- Cllr Marc Oxley (Independent and Green Group)
- Cllr Rosemary Powell (Independent and Green Group)
- Cllr Karen Payne (Conservative)
- Cllr David Wilby (Conservative)
- Cllr Sam Harvey (Non Aligned Independent)

1.10.9 There have been other political changes such that as at 26th May 2022, the political make up of the Council is: 7 Independent and Green, 6 Conservative, 5 Liberal Democrats, 4 Together4Rutland, 4 non-aligned, and one vacant seat

1.10.10 There have been a number of Political and Constitutional challenges throughout the year arising from the pandemic caused by the legislative framework being inadequate. The Government brought forward time-limited legislation to enable remote meetings early in the pandemic but wrote to Council's on the 25th of March 2021 informing them that it would not be extending the time limit meaning decision-making meetings were required to take place in person from 6th May 2021. As a consequence, the Council put in alternative arrangements to enable meetings to proceed whilst Covid restrictions remained. In essence, the Council held most meetings virtually (outside of Full Council and the Planning and Licensing Committee) with Portfolio Holders being given delegated authority to make executive decisions on behalf of Cabinet and other meetings being held in person if a formal decision was required.

1.11 Elections

1.11.1 Due to the pandemic, the scheduled Police and Crime Commissioner election was postponed from 7th May 2020 but was held on 6th May 2021, and at the same time two parish council by-elections were also held that had been previously postponed.

1.11.2 A further 3 County elections were held in the year including:

- Councillor Nick Woodley (Conservative) resigned and was replaced by Councillor Paul Browne (Liberal Democrat);
- Councillor Adam Lowe (non-aligned Independent) resigned and was replaced by Councillor Leah Toseland (Labour);
- Councillor Richard Coleman (Conservative) resigned and was replaced by Councillor Richard Wilson (Green Party); and
- A vacancy remains following the resignation of Councillor Miranda Jones (Green Party) who resigned in March, and an election took place in May 2022 with Stephen James Lambert (Liberal Democrat) elected.

1.11.3 A further 31 parish resignations were received during the year, with two vacancies requiring an election (one from a vacancy originally contested on

6th May 2021) for which there had been insufficient candidates (following which the election has now been called a further 6 times).

- 1.11.4 In July, the Council noted the proposals from the Boundary Commission for England (BCE) that would change the number of parliamentary constituencies in the East Midlands.
- 1.11.5 The proposals would see the total number of parliamentary constituencies in the region increase from 46 to 47. One of the effects of these proposals would be to merge Rutland and Stamford and into a single parliamentary constituency, encompassing Rutland and wards from South Kesteven District (including Stamford).
- 1.11.6 As all County Councillors are able to provide feedback through the BCE's process, it was decided that the County Council would not issue a formal comment on the proposals at this stage.

1.12 **Constitution**

- 1.12.1 The Council's Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Committees 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. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.
- 1.12.2 The Constitution includes a list of roles of officers including officers responsible for undertaking statutory roles. The Chief Executive is the Head of Paid Service. The Deputy Director Corporate Governance (now changed to Director of Legal and Governance) is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989 and the Strategic Director for Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.
- 1.12.3 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 Council to act as those charged with governance on behalf of the Council.
- 1.12.4 The Constitution is kept under review by a working group of members appointed by the Council. This work was largely curtailed during the pandemic however this was picked up again in the second half of 21/22. Updates to the Constitution have been made on the following areas:
 - Committee Proportionality;
 - Officer Scheme of Delegation;
 - Terms of Reference of the Employment and Appeals Committee;
 - Register of Members of the Executive to reflect in-year changes;
 - Scheme of Member's Allowances; and
 - Members Code of Conduct.
- 1.12.5 A wide-ranging review of the¹⁰⁵stitution and the Overview and Scrutiny

function has also been undertaken in 2021/2022 supported by the Interim Monitoring Officer.

- 1.12.6 A new overview and scrutiny function comprising a single strategic overview and Scrutiny committee was introduced to replace the existing three scrutiny committees and Scrutiny commission. This followed a detailed review including consultation with all members and officers with reference to guidance from the Centre for Governance and Scrutiny. Other changes included:

Revised Contents and Part 1 - Introduction to the Constitution

Revised Part 2 - Articles

Revised Part 3 – Responsibility for Functions

Revised Part 4 – Procedure Rules

Adding the revised Public Speaking at Planning and Licensing Committee Rules to Part 5

Removing the following Codes from Part 5:

- Counter Fraud Strategy
- Whistleblowing Policy
- Monitoring Officer Protocol
- Scrutiny Function Protocol
- School Governor Protocol

- 1.12.7 More details can be found here.

<https://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=145&MId=2442>

1.13 **Decision Making Arrangements**

- 1.13.1 The officer structure of the Council operates with a Chief Executive and three Directorates, entitled People, Places and Resources.

- 1.13.2 Following a 12-month interim period, the Council appointed Mark Andrews permanently to the role of Chief Executive. This appointment was officially confirmed in June 2021. In July, the Council formally appointed John Morley to the position of Strategic Director for Adults and Health, and Dawn Godfrey to the position of Strategic Director for Children and Families. These officers alongside Director for Places (Penny Sharp), Director for Resources (Saverio Della Rocca) and the Director of Legal and Governance make up Corporate Leadership Team (CLT). From the end of September 2021, Marie Rosenthal was appointed as Interim Monitoring Officer. A new permanent Monitoring Officer was appointed in April, Angela Wakefield, and took up post in May.

- 1.13.3 Matters which require a decision to be made by members are considered by the relevant Directorate Management Team (DMT), who will make a recommendation to CLT. If approved, the matter is reported, with a recommendation to the Cabinet or other appropriate body.

- 1.13.4 The Director of Legal and Governance is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision-making body must be considered by the Director of Legal and Governance before they are submitted. This is to ensure compliance with

relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

- 1.13.5 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.

1.14 Performance Management

- 1.14.1 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 Service Teams and CLT on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis.
- 1.14.2 During 21/22, quarterly reports on corporate plan performance KPIs were switched to a mid-year and year-end report with pandemic priorities taking precedence. The mid and end year performance reports have been enhanced to provide further detailed information on the actions and developments in relation to key performance indicators and, where performance is off target, information on how this is being tackled.
- 1.14.3 The performance management framework flows through the Council, down to an individual employee level. All officers have an ongoing "Conversation" with their manager during each year. This process includes aspects of performance management including reviewing progress against objectives and targets and setting new objectives and targets for the forthcoming year. Training and development needs are also identified during this process.
- 1.14.4 The Council also has a Compliments, Comments and Complaints Policy. Compliance with the Policy is reported via the performance management framework and an annual report is taken to Audit and Risk Committee for Member consideration.

1.15 Financial Management

- 1.15.1 The Council undertook an assessment of its financial management arrangements against CIPFA's Financial Management Code in 20/21. No further work was undertaken in 21/22 but the Council made some changes to the frequency and the content of reports. Two mid-year revenue and capital report were produced with regular reporting in between. Regular reporting focused more on key risk budgets and staffing – which has been highlighted as a key risk.
- 1.15.2 The Strategic Director for Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.
- 1.15.3 All reports to a decision-making body must be considered by the Strategic Director for Resources before they are submitted to ensure the financial impact of potential decisions is clear.
- 1.15.4 The CIPFA Statement on the Role of The Chief Financial Officer in Local Government sets out the five principles that need to be met to ensure that the Chief Financial Officer can carry out the role effectively. The principles are

that the Chief Financial Officer:

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

1.15.5 The Strategic Director for Resources is a member of the Council's CLT and is actively involved in the key business decisions of the Council. The post holder 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 requirements set out in the CIPFA statement.

1.15.6 The Council's Medium-Term Financial Plan (MTFP) covers a five-year period. Such an approach to financial planning provides the platform on which the Council can look to deliver public services in accordance with local priorities. Moreover, through horizon-scanning 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.

1.15.7 The MTFP was updated throughout 2021/22 and periodically reported to Cabinet. The updated MTFP, following the Local Government Finance Settlement, was presented to each Scrutiny Panel by the Leader and to Council as part of the budget setting process. Members have up-to-date financial information about not only the current but also the medium-term outlook for decision making purposes.

1.15.8 In their External Auditor report issued in November 2021, the external auditors issued an unqualified audit opinion on the Authority's financial statements. The Value for Money opinion was also unqualified and given in April 2022.

<https://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=134&MId=2370>

1.15.9 The Council has a set of Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs) within its Constitution which govern the way in which financial matters are conducted.

1.16 Risk Management

1.16.1 Risk Management is embedded in the Council through the Risk Management Strategy. Risk management is an integral part of the Council's decision-making processes. All Council papers include reference to risk to ensure that members and officers understand the impact of decision-making.

1.16.2 The Portfolio for Finance is the lead member for risk management. Each risk is assigned a member of CLT as risk owner. CLT is responsible for maintaining the register and monitoring the actions taken to mitigate the strategic risks. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels if there

is a need to look at them in more detail.

- 1.16.3 The Strategic Risk Register was reviewed by Audit and Risk Committee in July 2021 and then again in November. The Risk Management Policy was reviewed and updated in February 2022 before being approved in April 2022. The Policy included the requirement for risk registers at a Directorate level.
- 1.16.4 The Council used Zurich Municipal to support the development of Directorate risk registers and agreed that Internal Audit would support ongoing risk management work.
- 1.16.5 The pandemic response has continued to see risk management become an integral consideration of systems design. For example, work on business grants, winter grant schemes and test and trace support schemes has been centred on mitigating risks around ineligibility whilst at the same time promoting access to available support.
- 1.16.6 Beyond the corporate risk register, the Council also has an Elections Risk Register and Fraud Risk register.

1.17 **Standards of Conduct**

- 1.17.1 During 21/22 the Monitoring Officer received 9 complaints of alleged councillor misconduct within the County compared to 5 that were received for 20/21. In 20/21, For 21/22, 5 complaints were raised against Rutland County Council members and the rest (4) were raised against Town and Parish Councillors.
- 1.17.2 The Council has also (through the Monitoring Officer) actively engaged with the LGA and other bodies to feed views into the review of the Model Code of Conduct. The new Model Code of Conduct has been published and was approved by the Conduct Committee in March 2022 and then Council in April.

1.18 **Counter-fraud and Whistleblowing**

- 1.18.1 The Council received no whistleblowing allegations during 21/22 and no reported frauds.

1.19 **Developing Effectiveness**

- 1.19.1 Our ability to effectively recruit and retain quality staff is crucial to delivering Council services. Our Recruitment Policy provides the framework to recruit the right staff at the right time. We have continued to develop innovative and creative recruitment strategies which have enabled us to fill difficult to recruit posts and reduce the use of agency and interim staff. The addition of our Applicant Tracking System and Rutland Microsite have been pivotal in providing better technology and better systems to support the process.
- 1.19.2 As we move away from the consequences of the pandemic into 'Living with Covid', we are experiencing higher turnover and a broader range of challenges to recruitment (this is the same across the sector). We have endeavoured to keep abreast of workforce changes and developments as expectations of individuals in their 'world of work' has changed. Clearly having the right level of resource in the right place at the right time is crucial to our organisational effectiveness. We support this with continuing to prioritise recruitment whilst

also supporting our managers and services to ensure they challenge and seek alternative models to minimise risks and look for alternative delivery options, e.g. through partners.

- 1.19.3 Our Learning Management System has continued to be a key platform to support our induction of new staff. 2022/23 will see a further revamp of the learning materials (guides, best practice, e-learning etc) and how this meets development needs of staff. Further development and training for staff has been accessed through remote learning ahead of the face to face delivery being resumed – in part. Further training has been provided in 2021/22 for IT skills such as Word, Excel, and PowerPoint.
- 1.19.4 The focus of development work during 2020 and 2021 centred around support for wellbeing and also developing our understand and skills needed to manage a remote workforce. We commissioned sessions through Bailey and French and also undertook some of our own delivery. This will evolve in 2022 into a Leadership programme and a specific Management skills programme. Mandatory and essential training for staff continues to be financially supported through a training budget held by the Head of HR.
- 1.19.5 Whilst we saw a reduction in our turnover and sickness levels during 2020 as a consequence of Lockdown and c.65% of our staff working from home, we have experienced higher turnover rates and sickness absence in 2021/22. The Head of HR has produced reports and papers for our Employment and Appeals Committee relating to Recruitment, Retention and Turnover. We continue to monitor this data cautiously and ensure our policies and procedure enable us to respond and manage pressures.
- 1.19.6 The Council adopted a Hybrid Ways of Working during 2021 which enables staff to carry out their work both from home and from their workplace. We have carried out briefings with leadership teams, and staff in addition to two Pulse Surveys in November 2021 and April 2022 to inform our decision and policy going forward.
- 1.19.7 Member development has been facilitated through various individual training sessions on a variety of subjects (long term stewardship in new communities, update for Local Authority Audit Committee members, media training and Scrutiny: Reset and Recovery) offered through organisations such as East Midlands Councils, Local Government Association, and the Centre for Public Scrutiny.

1.20 Service Delivery

- 1.20.1 The Council is focused on delivering high quality outcomes at low cost and has always worked in partnership with an eclectic mix of Local Government and Public Sector partners. The Council has a wide range of partners covering a wide range of service areas. Some examples are given below.

<u>Service area</u>	<u>Lead Authority Name</u>
Internal Audit	Local Government Shared Service
Welland Procurement	Melton Borough Council
Out of Hours Emergencies	Harborough District Council

<u>Service area</u>	<u>Lead Authority Name</u>
Children's Social Care Out of hours	Leicestershire County Council
Public Protection	Peterborough City Council
Emergency Planning	Leicestershire County Council
Safeguarding Childrens Partnership	Leicestershire County Council
Health and Safety	Peterborough City Council
Planning system	South Kesteven District Council
Adoption Services	Lincolnshire County Council
Public Health	Leicestershire County Council (with shared Director)
Finance IT systems provision and administration	Herefordshire Council (local authority company, Hoople)

1.20.2 The Council's governance approach to partnerships (working with others) varies according to the legal basis of arrangements. All delegated services are covered by formal delegation agreements. Partnerships/shared services are covered by Service Level agreements. All arrangements have a Rutland Lead Officer, and all documents cover scope of services, performance expected, reporting and termination clauses.

1.21 **Community Engagement, Partnership working and reporting**

1.21.1 The Council continued to work closely with several Voluntary, Community and Faith (VCF) organisations to support our residents during the ongoing waves of pandemic, helping those who were classed as clinically extremely vulnerable to shield, providing practical support enabling the vaccination programme to be rolled out at pace, and assisting people whose financial or other circumstances had changed because of the pandemic. Support around financial hardship and housing became more significant as government schemes such as furlough were progressively wound down.

1.21.2 As pandemic measures started to be lifted, there was a transition from a VCF sector pandemic working group coordinated directly by the Council to a more business-as-usual networking arrangement for the VCF sector. This is being led by Citizens Advice Rutland (CAR) under its contract, revised this year, to provide infrastructure support to the wider VCF sector. This infrastructure support enables smaller VCF organisations locally to access training, advice, funding links, and so on, to create a sustainable sector within Rutland.

1.21.3 The Council participates in the CAR-coordinated VCF network, including representing Rutland's online community directory, the Rutland Information Service. The network helps to develop ongoing working relationships and mobilisation in response to Rutland's needs, and is building additional capability around funding generation, service design and joint working which is a valuable contribution to a more resilient VCF sector in Rutland.

1.21.4 The VCF sector also helped to shape Rutland's new Joint Health and Wellbeing Strategy which was approved by the Health and Wellbeing Board

in April 2022. They have a key role to play in their ability to engage and represent diverse communities across Rutland, including helping their needs to be fully factored into service design.

- 1.21.5 During this year, the wellbeing support provided by the VCF sector to local communities and funded by the Council was reviewed, resulting in new contracts for future years.

1.22 Working with Business

- 1.22.1 The year was again dominated by work on multiple Covid-19 Business Support Grants. The Economic Development Team worked with the Revenues and Benefits team and the Communications and the IT teams to create an effective cross-Council group. In 21/22 over £4.3m has been paid to over 896 businesses via the Restart Grant, Additional Restrictions Grants and the Omicron Grant.

- 1.22.2 Rutland is now strategically aligned with Greater Lincolnshire Local Enterprise Council. We are developing plans and bidding for external funding to support economic recovery and growth in Rutland. Our local businesses also have access to specialist business advisors via the Lincolnshire Growth Hub; providing access to information about programmes and initiatives to support growth.

<https://www.rutland.gov.uk/my-council/council-news/council-agrees-financial-support-package-for-sports-centre/>

- 1.22.3 We also organise an Annual Tourism Forum through the Discover Rutland Tourism Committee for groups, businesses and individuals connected with tourism in the local area. This year's forum took place in a virtual format on 30th November and included a review of achievements in the previous 12 months, the sector Covid Recovery Plan, and insights from Visit England.

<https://www.discover-rutland.co.uk/>

1.23 Working with Health

- 1.23.1 In line with the 2019 NHS Long Term Plan, the area covered by Leicester, Leicestershire, and Rutland (LLR) Councils became an 'Integrated Care System' (ICS) in April 2021, enabling it to harness the collective power of its health and care stakeholders to deliver better services and tackle inequalities which can lead to unfair and avoidable differences in the health of local people. Across the remainder of the year, the three Clinical Commissioning Groups (CCGs) in LLR have been undertaking the groundwork to establish the Integrated Care Board (ICB) which will supersede the CCGs from July 2023, to shape strategic health services and provide leadership for the whole LLR health and care system. Alongside the ICB, a wider board of LLR partners will form the Integrated Care Partnership (ICP), ensuring that Local Authorities have a voice at strategic as well as local level.

- 1.23.2 At the next, more local tier in the health system, Rutland is both a 'place' (the Local Authority tier) and a 'neighbourhood' (mapped to the Rutland Health Primary Care Network of GP practices), with many health and care services designed and delivered at this scale to enable them to be tailored to local

needs. Here, joint work is guided, co-ordinated and overseen by the Rutland Health and Wellbeing Board (HWB), a partnership of health, care and wellbeing stakeholders which meets quarterly in public, chaired by the Council's Portfolio Holder for Health, Wellbeing and Adult Care.

- 1.23.3 The HWB led the development of a new and ambitious Joint Health and Wellbeing Strategy (JHWS) for Rutland to be delivered over the next 5 years (2022-27). Rutland's strategy was developed through wide collaboration across local partners, extensive use of a relevant data sources and engagement and consultation with the public and other stakeholders, including building on the findings of the Future Rutland Conversation, commissioning an engagement study from HealthWatch Rutland published under the title 'What matters to you?', and undertaking a more formal consultation on the draft JHWS. The JHWS will enable more decisions about how health and care services are structured and funded to be determined locally, guided by the Rutland Health and Wellbeing Board.
- 1.23.4 The overall vision of the new JHWS, which was approved in April 2022, is to nurture safe, healthy, and caring communities in which people start well and thrive together throughout their lives. The essence of the strategy's goal is 'people living well in active communities'. The Strategy takes a life course approach, with seven priorities for coordinated or joint action: best start for life; staying well; living well with health challenges; access to services; planning for population growth and change; dying well; and a seventh priority for cross-cutting themes, namely addressing inequalities, improving mental health, and pandemic readiness and recovery). Local partners are jointly accountable for delivering the plan under the governance and oversight of the HWB.
- 1.23.5 Prevention will be a stronger dimension of joint working, as will using population health data and management to better shape and target services, including for people already living with ill health, and reducing health inequalities. Bringing services closer to home wherever possible, and ensuring services are sufficient for a growing and ageing population are also critical areas of work that are high priorities for Rutland's population.
- 1.23.6 In parallel, the local Better Care Fund (BCF) programme for 2021/22, accounting for £3m of integrated health and care spend, was delivered against the backdrop of the ongoing pandemic. Council, NHS, and community sector partners continued to provide integrated health and social care approaches tailored to the Rutland context, adapting delivery to the circumstances. Most of the programme was delivered as planned, addressing three key priorities: prevention and staying well; living well with multi-morbidity; and hospital flows (avoiding hospital admissions and ensuring prompt and safe hospital discharge). Some services were downscaled or temporarily put on hold at points in the year to enable Covid-related services to be resourced, while the commissioning of an online social prescribing platform for Rutland partners was undertaken following the end of pandemic measures in Q1 of 2022-23. Activity levels for the delivery of technology supporting people to live independently at home were lower than provisioned for the year as a result of challenges in working with vulnerable people in their own homes, while ongoing challenges with building supplies and safe access meant that Disabled Facilities Grants were awarded at a healthy pace, but some adaptations took longer to implement than anticipated. Modest 'enablers'

funding, earmarked for things like analysis, technology, and engagement, will also be carried forward, helping to improve the conditions for successful delivery of the 2022/23 BCF plan and the JHWS.

1.24 **Local Plan**

- 1.24.1 The Local Plan sets out planning policies for the Rutland area, as well as listing sites for additional housing, employment, and other development for the period 2018 to 2036.
- 1.24.2 On 1st September, Full Council voted to withdraw the current Local Plan. The decision to withdraw the Local Plan meant that the Council began work on a new Plan. It is anticipated this will take around four years to prepare. Councillors also voted to set aside almost £1.4million to cover the cost of making a new Plan and operating without one during this period.
- 1.24.3 In November a cross party working group of councillors representing each of Rutland County Council's three political groups was formed as part of the early stages of developing a new Local Plan.
- 1.24.4 The cross-party group is chaired by Rutland County Council's Chief Executive, Mark Andrews, will act as an advisory board and meets as appropriate to provide guidance and monitor the implementation of the Local Plan process, as well as identifying any issues that may arise and discussing solutions. This is an internal working group and, as such, has no formal powers. Rutland County Council's Cabinet is the body responsible for preparing the Local Plan for Full Council to approve.
- 1.24.5 The group will make sure all Rutland County Councillors and the communities they represent are kept informed as the Local Plan is developed. This is expected to take four years.
- 1.24.6 In February 2022, the Council has issued a 'Call for Sites' as one of the very first steps in the process to develop a new Local Plan. This will be followed by the 'Issues and Options' stage of Local Plan-making, which is due to take place in summer 2022. This is critical to the development of the Local Plan and will outline the long-term strategic planning issues facing Rutland, such as housing, employment, services and facilities, climate change and carbon reduction, and impact on infrastructure. An Issues and Options consultation will ask residents, businesses, and other stakeholders whether they agree with the issues that have been identified and, importantly, which options provide the best solutions to those issues.

1.25 **Consultation and engagement**

- 1.25.1 The Council undertakes public engagement and consultation on a range of matters. Outside of the matters discussed above, in 2021/22, this included:
 - Future Rutland Vision
 - 2022/23 Annual Budget Consultation
 - Early Education and Childcare Provision
 - Joint Health and Wellbeing Strategy
 - Highways Infrastructure Asset Management Strategy
 - Bus Service Improvement Plan 114

- Carers Strategy
- Faster Broadband Survey
- Waste Strategy
- Waste Service Options
- Childcare Sufficiency Assessment
- Grounds Maintenance and Forestry Services
- Parking Policy
- Healthy Child Programme
- School Travel
- Burley Road Cycle and Footway Improvements

1.25.2 Prior to the outbreak of Covid-19, the Council was in the process of developing its communications and engagement approach. This has now been completed and a new RCC Communications and Engagement Strategy 2022-27 was approved by Cabinet in April 2022.

1.26 Reporting

1.26.1 All formal meetings are held in public (or virtually with residents able to join online), and the reports and minutes of those meetings are published in accordance with the principles of openness and transparency, 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 Committees.

1.26.2 The Council publishes information relating to all of its expenditure on its website and also complies fully with the Local Government Transparency Code 2015 which sets out the minimum data that local authorities should be publishing and the frequency it should be published and how it should be published. The information published can be found here.

<https://www.rutland.gov.uk/my-council/transparency/>

Review of Effectiveness

1.27 Overview

1.27.1 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

1.28 Internal and Management Assurance

1.28.1 Assurance - It is the Head of Internal Audit's opinion that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the overall opinion given in recent years.

- 1.28.2 Financial control - Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively with no significant control weaknesses identified by audit testing.
- 1.28.3 Risk management - An audit of Risk Management was performed by Internal Audit in 2021 and concluded an opinion of Satisfactory Assurance for control design and Good Assurance for compliance with controls. Following this, work has been underway to develop Directorate level risk registers to ensure a robust framework; and training on risk management has also been delivered by the Council's insurers.
- 1.28.4 Internal Audit work is targeted upon the Council's key areas of risk and work completed in 2021/22 has assessed assurances in relation to controls in some of the key areas highlighted on the register.
- 1.28.5 Governance - During 2021/22, Internal Audit reviewed the Council's recovery from the Covid-19 pandemic and implications for governance. This resulted in assurance opinions of Substantial Assurance and Good Assurance for control design and compliance, respectively.
- 1.28.6 Based on the findings of Internal Audit work in 2021/22, there are no significant governance issues that the Head of Internal Audit wishes to draw to the attention of the Council for inclusion in its Annual Governance Statement.
- 1.28.7 Internal control - For the audits completed in 2021/22, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.
- 1.28.8 Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

1.29 **Scrutiny**

- 1.29.1 The Council had three scrutiny committees, which within their respective areas of responsibility; Adults and Health, Children and Young People, and Growth, Infrastructure and Resources, influence policies, scrutinise decisions made by the Council and review services provided by the Council and its partners.
- 1.29.2 Decisions made by the Cabinet may be called in by a scrutiny committee in accordance with the provisions of the scrutiny procedure rules laid out in the Constitution. (Procedure rule 206).
- 1.29.3 During 2021/22 Scrutiny meetings resumed as normal from June. Areas considered this municipal year include:
- The Local Plan, including the Statement of Community Involvement
 - Adult Social Care response to Covid 19
 - The response to the OFSTED and the Children Services Improvement Plan
 - The Housing Infrastructure Fund Contract
 - The Parking Strategy
 - CQC Review of Safeguarding and Children Looked After Health Services

- SEND and Inclusion Service
- Participation and Engagement Strategy
- Experience of health and social care in Rutland during the Covid 19 lockdown

1.29.4 The work of last year's task and finish group on Biodiversity, which had been halted during the pandemic, resumed with the final report presented to the Growth and Infrastructure Scrutiny Committee on the 18th of November 2021. Proposals for a Biodiversity Strategy were outlined, and these were incorporated into the work undertaken by the Climate Action Network Group, chaired by Councillor L Stephenson. Update reports from this group are presented to the Growth and Infrastructure Scrutiny Committee.

1.29.5 This year's cross-party Task and Finish Group focused on Rutland residents' access to primary care and the increasing demand for GP services. The Group, Chaired by Councillor P Ainsley, gathered information from residents before making a number of recommendations in the final report. The final report was presented for approval to the Adults and Health Scrutiny Committee on the 31st of March 2022, the Rutland Health, and Wellbeing Board on the 5th of April 2022 and then Council on the 11th of April 2022.

1.29.6 Mandatory government Statutory Guidance was published in May 2019 under the provisions of section 9Q of the Local Government and Housing act 2000 and Schedule 5A of the Local Democracy, Economic Development and Constriction Act 2009 encouraging all councils to cast a critical eye over their existing arrangements and, above all, ensure they embed a culture that allows overview and scrutiny to flourish. The Council agreed terms of reference for a review of the scrutiny function in line with the statutory guidance.

1.29.7 The review involved an all-member survey, an analysis of the work of the scrutiny committees over the last three years. On the 11 April 2022, Council agreed proposals to relaunch the scrutiny function by moving away from the existing 3-committee and Commission arrangements to a single Strategic Overview and Scrutiny Committee

1.30 **Complaints**

1.30.1 The general Information Governance Annual report, including complaints, will be presented to the Audit and Risk Committee on 27 September 2022.

1.30.2 Stage 1 complaint response times show that 99% (59 out of 60) of stage 1 complaints are answered within the deadlines set within the complaints policies. Stage 1 complaints have further reduced 9% on 21/22.

1.30.3 Improvement has been made with 100% (23 out of 23) of stage 2 complaints answered within the deadlines. Stage 2 complaints increased by nearly a third (28%).

1.31 **Financial management arrangements**

1.31.1 The Council undertook an assessment of its financial management arrangements against CIPFA's Financial Management Code in 20/21. Progress on the key improvement areas are as follows:

- The need to develop an Asset Management Plan that articulates the condition of the current asset portfolio, the corporate need/fit of assets and the Council's approach to asset management, disposal, and acquisition – this is in progress with a condition survey now completed. The Council is now processing the findings which will inform decisions about whether to retain, sell or repurpose assets. Further progress will be made in 21/22.
- Increasing the frequency of budget discussions with Cabinet members (in between formal quarterly reporting) and then briefing Members – changes to financial reporting were made in year with a Mid-Year Capital Report, more frequent informal revenue reporting and in-depth focus on high-risk budgets in reporting. Finance issues are also covered in monthly Director briefings.
- Completion of the effectiveness assessment of Audit and Risk Committee – this was started in April but will be completed when the new Committee has been in place for a year.
- Refresher finance training for budget managers and Members – for Officers various exercises have been undertaken including documenting forecasting approach in key areas.
- Integrating financial management and operational performance management – more of this has been done in new Revenue reporting.

1.32 Financial performance and resilience

1.32.1 Various financial reports on financial management were presented to Cabinet during the year. There was increased financial reporting in the year outside of quarterly reporting albeit public reporting began with a Mid-Year Revenue and Mid-Year capital report.

1.32.2 The revenue reports were changed in style with a new Question and Answer Executive Summary, a focus on high-risk budgets and overall staffing position. Reports analysed the financial position against the approved budget but also explained what additional funding had been received and how this was used.

1.32.3 The Council started 21/22 with a key priority of reducing reliance on General Fund reserves in particular. The 21/22 budget was originally balanced using £2.4m of reserves of which £1.1m was General Fund (hence the Council was projecting a £1.1m loss. The s151 Officer gave the following advice in the budget report:

“The Council must...aim to make savings in year and be underspent against its 21/22 budget by at least £1m. It should also commence work on other projects that will enable it to reduce reliance on reserves to a minimum of £1m by 22/23”.

1.32.4 In July the Council approved a series of savings projects (£710k) and agreed to use some ring-fenced reserves (£240k) which reduced the projected budget deficit in 21/22 to £438k. It also committed to tight spending controls in year with the aim of underspending its budget alongside continuing work on savings in key areas like social care.

1.32.5 Throughout the year, the Council has underspent its budget and by Outturn the underspend was £3.382m. This comprised a combination of planned savings (c£1m), unexpected income of £1.3m and unplanned net savings of

c£1m.

1.32.6 A full copy of the Council's Outturn report can be found at:

<https://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=2589>

1.32.7 The Council set a revenue budget for 22/23 which relied on General Fund reserves of £7k. This was better than the £1m target originally set. Since budget setting, the global and national environment has heightened risk uncertainty to unprecedented levels. The Covid-19 pandemic, the cost of living crisis, the impact of Brexit, labour shortages, the Governments reform agenda and now the war in Ukraine have added to the complexity of the local government landscape and had a significant impact on the 22/23 budget.

1.32.8 The upshot means that significant budget revisions are required which will need to be funded from reserves. Importantly, the £3.3m 21/22 underspend will go a long way towards meeting these costs. Emerging pressures in 22/23 comprise:

- a £1m historic liability associated with the special educational needs budget will need to be provided for;
- demand for key services continues to be volatile as shown in the Outturn and early signs for 22/23 indicate pressures in social care (current projections indicate a £520k pressure. Continued pressures in areas like transport mean additional cost of £300k are expected;
- the cost of living crisis experienced by households applies equally to us. Utility costs are expected to increase by £250k and inflation on key contracts are expected to be £210k;
- labour shortages are expected to accelerate pay inflation and an increase of our pay provision from 2% to 4% could cost c£347k;
- workload pressures from business as usual or new responsibilities that the Council has to prepare for are emerging and will need to be funded (albeit some will be offset by new burdens funding. Estimated costs are £535k but will offset by vacancy savings.

1.32.9 The financial problems being faced now by the Council are acknowledged by its members and officers. Whilst there is still a strong view that the Council is being treated unfairly by the overall financial settlement, the Council recognises that it has a responsibility to address this issue.

1.32.10 Against this backdrop, the Council must focus on what it can control – prudently managing its budget whilst reviewing all areas of expenditure so it can prioritise funds and identify where savings can be delivered.

1.32.11 Despite action taken to date and careful management of the 21/22 budget, the Council's financial position worsens and that whatever action it might take it may not be enough without further Government intervention and funding. This position is not unique to Rutland.

1.33 **Corporate performance**

1.33.1 Corporate performance of the Council towards achieving the objectives laid out in the corporate Plan is monitored through the use of a number of key performance indicators. At the end of 2021/22, despite the significant impact of the pandemic, performance across the authority remains good. Of those indicators where data is available 76% were achieved during the year, 46/62 indicators.

1.33.2 Examples of some of the key areas where the Council is below target include:

- Net additional homes provided.
- Number of affordable homes delivered.
- 5-year housing supply.
- Domestic waste and recycling.
- Assessment timescales for children with special educational needs and or disabilities.
- % of eligible children registered with Children's Centre.
- % of target families registered with sustained engagement.

1.33.3 All of the indicators above have, to an extent, been impacted by the Covid-19 pandemic. For example, closures to face to face services have reduced children centre reach. Restrictions on construction industry has led to delays in house building and a greater volume of people at home has resulted in higher levels of domestic waste – reflecting a national trend.

1.33.4 As indicated above, alongside a refresh of the Corporate Strategy, the Council is reviewing its performance management framework in the final quarter of 21/22. This will include various aspects:

- Aligning performance measures with new objectives/priorities;
- Consideration of extending performance information to include areas not currently covered e.g., carbon footprint, staff wellbeing, customer information;
- Bringing together financial information into the corporate performance report; and
- Reviewing performance systems to ensure they facilitate the efficient collection and reporting of information.

1.34 **Information Governance and related issues**

1.34.1 The Data Security and Protection Toolkit is an NHS online self-assessment tool that allows us to measure our Information Governance performance. Organisations that have access to NHS patient data and systems must complete this assessment to provide assurance that personal data is handled correctly.

1.34.2 The deadline for the completion of the 2021/22 submission is 30th June 2022.

1.34.3 Freedom of Information Act 2000 (FOI), The general Information Governance Annual report, including complaints, will be presented to the Audit and Risk Committee on 27 September 2022.

- 1.34.4 1455 FOI and EIR requests were received by the Council in 2020/21; 95% answered within 20 days. 1 complaint was reported to/or investigated by the Information Commissioners Office (ICO). 9 requests required an internal review. 6 reviews have been completed with satisfied with the outcome. A further 3 reviews are ongoing.
- 1.34.5 Personal Data Breaches - the Council recorded 14 reports of potential data breaches in 21/22. This is a 18% reduction on last year. All were investigated to satisfactory conclusion with actions and recommendations completed to mitigate further incidents of a similar nature. 1 data breach was self-referred to the ICO, and the Council were found to have taken the appropriate measures with all actions completed.
- 1.34.6 Subject Access Requests (SAR's) - the Council received 31 SARs in 2020/21 compared to 46 in 2020/21. With an average number of 865 pages for each response during 2021/22.
- 1.34.7 In March 2021 the Investigatory Powers Commissioner's Office (IPCO) undertook a remote inspection as part of their programme of inspections and covered the use of directed surveillance and covert human intelligence sources (CHIS) in accordance with the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA) and the acquisition of communications data in accordance with the provisions of the Investigatory Powers Act 2016. The full report has been presented to the Audit and Risk Committee in April 2021, with recommendations completed in April 2022.
- A refresh of the Policy - this is being reported to Cabinet on 5 April 2022
 - Staff training updated
 - RIPA Authorising Officer Training was held on 7th December 2021.
- 1.34.8 The Council continues to participate in the *National Fraud Initiative* (NFI) programme and investigated possible matches in the following areas. For 2021/22, Rutland had 897 matches to review. Main matches:
- Blue Badge Parking Permit to DWP Deceased – 64
 - Concessionary Travel Passes to Benefits Agency Deceased Persons Council Tax – 260
 - Council Tax Reduction Scheme to Pensions – 99
 - Duplicate records by amount and creditor reference – 309
- 1.34.9 The Council investigated all possible lines of enquiry and no matches suggested actual fraud had occurred. Proactive work was undertaken in respect of Blue Badge Parking Permit to DWP Deceased. This has resulted in c£6.3k of savings.
- 1.35 **Project Management**
- 1.35.1 The Council has a Project Management Framework which includes the role of the Project Management Office, a scalable Project Management Methodology and Project Management Support. All new project managers coming into the Council are provided training on the methodology to ensure consistency of approach. The updated Project Management Methodology is in use for all corporate projects and has been useful in managing some of our more high-

risk projects.

1.35.2 Progress on all projects is also monitored through CLT to understand and overcome any potential issues/risks before they become problematic. This provides an additional layer of challenge outside of the local governance structures put in place for each project (e.g., project boards), and allows for the independent escalation of issues.

1.35.3 The Council delivered the following projects in year.

Project	Outcome
Covid Recovery Programme	Series of projects/work carried out in response to the impact of Covid-19 on service areas
Police and Crime Commissioner Election	Delivered PCC election, ensuring that: - Voters could vote easily and know that their vote will be counted in the way they intended. - Candidates standing for election could find out how to get involved, what the rules were, and what they have to do to comply with these rules, and they can have confidence in the management of the process and the result.
Digital Rutland – Local Full Fibre Network (LFFN)	To deliver full fibre upgrades to key public sector sites and provide stimulus to further commercial deployment of full fibre
MyAccount	Service Request management system developed and was made available (in July) to customer to provide an online channel for them to raise their service requests.
Future Rutland	The Council completed the Future Rutland Conversation which sought to: 1) understand what matters most to the people of Rutland (residents and businesses) for how they live their lives in the County 2) develop a conversation with the people of Rutland to support the Council to establish a clear vision for the county that us used to inform decision making and key strategies 3) engage more with people who do not normally engage with the council with Council communications or consultations. The outcome of this work is covered in Section 1.9.
Rutland One Public Estate - St Georges (inc. HIF)	The aim was to develop a sustainable garden village following the pending closure of St George's barracks. This project was stopped when the Council chose not to proceed with its Local Plan.
Waste Contracts (inc. Contract Extensions)	This is an ongoing project to re-procure all of the waste services through a rationalised approach to determine synergies across services, starting with the extension of contracts to 2024
Leisure Contract (inc. Contract Extension)	This is an ongoing project to re-procure leisure services through a rationalised approach to determine the needs to the community. The Council has agreed to close the

Project	Outcome
	swimming pool and tender for a contractor to run dry side leisure facilities at zero cost to the Council.
Highways Contract	This is an ongoing project to re-procure Highways Term Contract through a rationalised approach before any decisions are made on the service to be provided
Local Plan	This is an ongoing project to deliver a Local Plan that has been through the proper consultation process and approvals from Government
SEND Capital Programme	This is a project to commit DfE capital funds to provide SEND facilities and positively impact the High Needs Budget
Catmose Extension Project	The expansion of Catmose College to provide 180 additional secondary places over a 5 year period from September 2022. Building works are ongoing.

1.36 **Business Continuity**

- 1.36.1 In 21/22, the Council commissioned a review of its Business Continuity arrangements from the Resilience Partnership Team which commenced in February 2021. The report concluded with the recommendation to take a “fresh start” approach, eventually to replace all existing documentation with new and bespoke policy documents and BC plans.
- 1.36.2 All service areas have completed a BC plan using a standard template to ensure consistency across Resilience Partnership members. The templates focus on typical BC scenarios but included loss of IT (cyber risk) as a specific consideration.
- 1.36.3 The Resilience Officer met with all service area managers in August and September to discuss the templates and is now in the process of reviewing their draft BC plans. All service plans were reviewed and signed off by Directors by the end of March alongside the overall BCP.
- 1.36.4 The next phase of work will be to undertake a test of plans in an exercise with management. Alongside the BCP the Council undertook in conjunction with DLUHC Cyber team a review of its Cyber resilience and was successful in securing £150k of funding to invest and upgrade the Council’s network infrastructure, back up arrangements and security systems towards best in class. This work continues in 22/23.

1.37 **External Audit, Inspections and Reviews**

External Audit

- 1.37.1 The Audit and Risk Committee has received and formally debated the Annual Audit Letter and External Audit Annual Plan. The new auditors Grant Thornton, in their Annual Governance Report for 20/21 gave the Council an unqualified conclusion on the Statement of Accounts and Value for Money opinion. No concerns were reported regarding the Council’s arrangements for securing financial resilience.

OFSTED

1.37.2 In January 2022 Ofsted undertook a focused visit to review children's services. In a formal letter detailing the inspectors' findings, Ofsted confirmed that Rutland County Council is maintaining a clear focus on protecting children and improving the quality of social work practice in the county. Inspectors also noted that senior leaders within Rutland's Children's Services know their services well and have succeeded in improving care for children and young people despite the challenges of the COVID-19 pandemic. The following key points were noted in Ofsted's main findings:

- Children in care are seen regularly by social workers who know them well. This has continued despite the various COVID-19 lockdown restrictions.
- Rutland social workers spend time with children and make sure their views inform decision-making.
- Rutland social workers work effectively with colleagues and partners to identify and meet children's needs.
- Rutland social workers are resourceful in ensuring the right support is in place for children, with well-planned transitions when children move home or school.
- Assessments are timely, thorough, and informed by the child's voice, helping to make sure that plans are child centred.
- Children (including disabled children) who are looked after in Rutland live in homes which meet their needs well.
- Most children are settled where they are living and do not experience unnecessary moves.

1.38 Ofsted highlighted just one area for improvement – the need to further improve the way in the which data is recorded and reviewed in instances where children are absent from care. However, inspectors also acknowledged that the Council already has plans in place to address this.

Public Services Network

1.38.1 The Council must demonstrate compliance with the Public Services Network (PSN) on an annual basis. The PSN is an information assurance mechanism to support the connection of the Council's network to other government networks. The Council undertakes an IT Security Health-Check annually (carried out by an accredited third party) to identify any compliance issues. Once these have been addressed, the Council completes a PSN renewal submission. This check was carried out in January 2021 and the Council completed the PSN renewal processes during early 2021 and has a valid certificate until September 2022.

2. Summary

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.

F Governance Issues

Certification

As Leader and Chief Executive, we have been advised on the implications of the

results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Rutland County Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and in particular that changes made to planning procedures should minimise the risk of a similar problem reoccurring.

Signed: _____ Signed: _____

Mark Andrews, Chief Executive Lucy Stephenson, Leader of the Council

Date: _____ Date: _____

Glossary

Agresso	Rutland County Councils finance software system
AGS	Annual Governance Statement
BAU	Business as Usual
BCF	Better Care Fund
CAR	Citizens Advice Rutland
CCG	Clinical Commissioning Group
CHIS	Covert Intelligent Human Sources
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance
CLT	Corporate Leadership Team
CPR's	Contract Procedure Rules
CQC	Care Quality Commission
DfE	Department for Education
DMT	Directorate Management Team
EIR	Environmental Information regulations
ELRCCG	East Leicestershire and Rutland Clinical Commissioning Group
FOI	Freedom of Information
GP	General Practitioner
GDPR	General Data Protection Regulation
HIF	Housing Infrastructure Fund
HWB	Health and Wellbeing Board
ICO	Information Commissioner's Office
ICB	Integrated Care Board
ICP	Integrated Care Partnership
ICS	Integrated Care System
ICT	Information and communications technology
ILACS	Inspections of local authority children's services
IPCO	Investigatory Powers Commissioning Office
JHWS	Joint Health and Wellbeing Strategy
KPI	Key Performance Indicator
LLR	Leicester, Leicestershire & Rutland
LRF	Local Resilience Forum
LRG	Local Resilience Group
LSCG	Local Strategic Coordinating Group
LTCG	Local Tactical Coordinating Group
MHCLG	Ministry for Housing, Communities and Local Government
MICARE	Rutland County Councils Supported Living and Day Opportunities Service – Adults Social Care
MOD	Ministry of Defence
MTFP	Medium Term Financial Plan
NHS	National Health Service
NFI	Nation Fraud Initiative
NPPF	National Planning Policy Framework
OFSTED	Office for Standards in Education, Children's Services and Skills
PSN	Public Services Network
RALSS	Rutland Adult Learning Skills Service

RCC	Rutland County Council
RISE	Rutland Integrated Social Empowerment – Adults Social Care
RSCG	Rutland Strategic Commissioning Group
RTCG	Rutland Tactical Commissioning Group
SEND	Special Educations Needs and Disabilities
SOLACE	Network for local government and public sector professionals
VCF	Voluntary, Community and Faith

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The Audit Findings for Rutland County Council

Year ended 31 March 2022

Rutland County Council
12 September 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit & Risk Committee.

**Name: Laurelin Griffiths
For Grant Thornton UK LLP
Date: 15 September 2023**

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rutland County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was largely completed remotely during August – December 2022. The significant issues identified during the audit have been limited to:

- Adjustments required upon receipt of valuations from the Council's valuer, which were not available at the time of preparing the Council's draft financial statements; and
- Adjustments required following the completion of the LGPS triennial valuation as at 31 March 2022, as the audit had not been completed and the accounts not signed by the time this work was completed in March 2023.

Our findings are summarised on pages 5 to 15. We have identified two adjustments to the financial statements (as explained above) that have resulted in a £4.868m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (appendix D) or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter (see appendix E); and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. We intend to issue a combined report covering both the 2021/22 and the 2022/23 financial years.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses in our work to date.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report in December 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit & Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 26 September 2023, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit both your finance team and our audit team faced audit challenges again this year, such as revaluation of land & buildings, accounting for infrastructure assets and the results of the triennial valuation of the Leicestershire Pension Fund. These issues have resulted in us having to carry out additional audit procedures, as summarised on pages 8-10 to gain sufficient audit assurance for these areas in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2022

We detail in the table to the right our determination of materiality for Rutland County Council.

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Council Amount (£) Qualitative factors considered

Materiality for the financial statements	1,300,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	910,000	Based on the internal control environment at the Council we determined that 70% of headline materiality would be an appropriate benchmark.
Trivial matters	65,000	We decided that matters below 5% of materiality were trivial.
Materiality for Senior Officer Remuneration	15,000	We identified senior management remuneration as a sensitive item and set a lower materiality of £15,000 for testing these items which is approximately 2% of this expenditure.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Fraudulent revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited.
- the culture and ethical frameworks of local authorities, including Rutland County Council, mean that all forms of fraud are seen as unacceptable.

Therefore we did not consider this to be a significant risk for Rutland County Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

Fraudulent expenditure recognition

Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.

Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that there was not a risk of fraud arising from expenditure recognition, for the same reasons as for revenue, above.

Therefore we did not consider this to be a significant risk for Rutland County Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

Our audit work identified that journals were not required to be authorised prior to being posted to the general ledger, with senior members of the finance team having the ability to post and authorise their own journals. We have made a recommendation to address this issue in Appendix A.

No other issues were identified in respect of management override of controls.

Valuation of land and buildings

The Council revalues its land and buildings on a rolling five-yearly basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- written to the valuers to confirm the basis on which the valuations were carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data

On receipt of the draft financial statements there were no revaluations included for the year, as Officers were in the process of challenging the revaluations provided by the valuer. Officers agreed the revaluations during the course of the audit and the amendments to recognise these revaluations in the financial statements are included in Appendix B.

Our testing identified some small differences between the data used by valuers and records kept by the Authority. These resulted in trivial differences in the revaluations, and are not considered to be a significant concern.

No other issues were identified in our testing.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£45.123m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances from the auditor of Leicestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

From the procedures carried out above we are satisfied that the valuation of pension fund liability is free from material misstatement.

The Council is an admitted body to Leicestershire Pension Fund. The latest triennial valuation for Leicestershire Pension Fund was published at the end of March 2023. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.

As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's share of the pension fund's assets has decreased by £1.557m and its share of the pension fund's liabilities has increased by £1.469m. Our work has not identified any issues in respect of these adjustments.

Additional audit work has been required in respect of this issue, resulting in an increase to the audit fee (see Appendix C). This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary
<p>Valuation of Infrastructure Assets</p> <p>Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2021, the net book value of infrastructure assets was £39.384m which is a significant multiple of materiality.</p> <p>The Code requires infrastructure to be reported in the Balance Sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.</p> <p>CIPFA have published Update to the Code on Infrastructure Assets - November 2022, that applies from the financial year 2021/22 to the financial year 2024/25. This removes the requirement to disclose gross book value and accumulated depreciation for infrastructure assets, with a narrative explanation. The Code also requires the movements in the NBV to be reported - where that information is material.</p> <p>SI 2022 No 1232 (England) - effective from 25 December 2022 included two key elements:</p> <ul style="list-style-type: none"> • The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets • Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code. 	<p>We have:</p> <ul style="list-style-type: none"> • Reconciled the Fixed Asset Register to the Financial statements • Using our own point estimate, considered the reasonableness of the depreciation charge to Infrastructure assets • Obtained assurance that the UEL applied to Infrastructure assets is reasonable • Documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtained assurance that the disclosures in the note are not materially misstated. • Reviewed the disclosures included in the financial statement to ensure they comply with the updated Code on Infrastructure Assets. <p>Our audit work has not identified any issues in respect of valuation of infrastructure assets. The financial statements have been updated to reflect the new disclosure requirements set out in the Update to the Code on Infrastructure Assets – November 2022.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £35.547m	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Bruton Knowles to complete the valuation of the majority of assets in April 2021. Assets are revalued on a three year cyclical basis and by value around 33% of the Council's other land and buildings were revalued during 2021/22. The three yearly cyclical basis is allowable under the CIPFA Code, providing the carrying amount of non-valued assets is not materially different from the current value at the year-end.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £2.5m.</p> <p>Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued in April 2021, to determine whether there has been a material change in the total value of these properties. This has been confirmed by the valuer in their report.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets We have analysed the method, data and assumptions used by management to derive the estimate We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated The estimate is adequately disclosed in the financial statements. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Net pension liability – £45.123m

Summary of management's approach

The Council's net pension liability at 31 March 2022 is £45.123m (PY £57.552m). The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £16.733m net actuarial gain during 2021/22.

Audit Comments

- Undertaken an assessment of management's expert;
- Reviewed and assessed the actuary's roll forward approach taken;
- Use of PwC as auditors expert to assess actuary and assumptions made by actuary, summarised below;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.7 % to 2.75%	●
Pension increase rate	3.2%	3.15% to 3.30%	●
Salary growth	3.7%	CPI to CPI + 1%	●
Life expectancy – Males currently aged 45 / 65	22.3 / 21.5 years	21.4 to 24.3 years & 20.1 to 22.7 years	●
Life expectancy – Females currently aged 45 / 65	25.9 / 24.4 years	24.8 to 26.7 years & 22.9 to 24.9 years	●

- Completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Council's share of LPS pension assets.
- Reasonableness of decrease in estimate
- Adequacy of disclosure of estimate in the financial statements.

Assessment

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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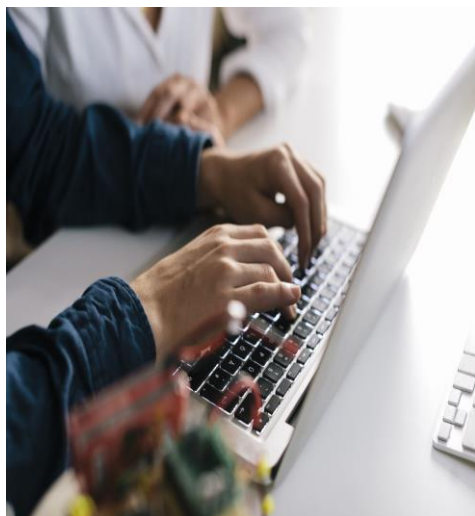
Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Risk Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, the content of which is included as an appendix to this report
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Council hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect, as detailed in Appendix D</p>
143 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The NAO sets a threshold within its group instructions below which detailed procedures are not required. As in previous years, the Council is below the threshold and therefore we are not required to carry out detailed audit work over the WGA return.</p>
Certification of the closure of the audit	<p>We are unable to certify the closure of the 2021/22 audit of Rutland County Council in the audit report, as detailed in Appendix D, due to the need for us to complete our VFM work.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit & Risk Committee on 22nd September 2022.

We expect to issue our Auditor's Annual Report by 31 December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

Our work to date has not identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to August 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefit (Subsidy) Assurance Process 20/21 (June – November 2021)	10,950	For these two audit-related services. We consider that the following perceived threats may apply:	The level of this recurring fee taken on their own are not considered a significant in comparison to the to the total fee for the audit of £88,921 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit (Subsidy) Assurance Process 21/22 (June 2022 – January 2023)	12,000	<ul style="list-style-type: none"> Self-Interest (because this is a recurring fee) 	Our team have no involvement in the preparation of the for which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed.
Certification of Teachers Pension Return 20/21 (October – December 2021)	4,500	<ul style="list-style-type: none"> Self Review Management 	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management
Certification of Teachers Pension Return 21/22 (October – December 2022)	7,500		
Non-audit related			
None			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Risk Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
148 Medium	Our testing on creditors identified that two items (£61k) in the auto-accrual balance that were incorrect. In one case the item related to 2022/23 and shouldn't have been accrued for 2021/22. In the other the item was over accrued by £31k. These errors were isolated to the Auto-Accrual balance.	That going forward the auto-accrual balance is reviewed to ensure that balances relate to the financial year and the amount accrued is correct. Management response Audit recommendation agreed with additional controls will be implemented to ensure only valid balances will be accrued. In addition to this more work will be done throughout the year to ensure only valid orders remain at the year.
Medium	Our testing on journals identified that not all journals are authorised prior to being posted to the general ledger and that senior members of the finance team are able self-approve their own journals.	That all journals are approved by another member of the finance team before being posted to the general ledger Management response Senior members of the finance team will be able to continue to self approve journals. The controls to review year end working papers will be strengthened with greater review time where journals have been processed and specific sign off to state that journals have been processed in line with the working paper.
Low	Our testing on debtors identified one item (£270) which officers could not provide evidence to support the balance. This outstanding item related to pre 2019.	Long standing debtor balances should be agreed back to supporting documentation and reviewed for collectability. Where there is no supporting documentation these balances should be written out of the financial statements. Management response Agree with the recommendation from the auditor

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
PPE Revaluation	Dr Places Expenditure £1,472 Dr Surplus on Revaluation of PPE £370	Cr PPE £1,842.	Dr £1,842
Pensions	Dr Re-measurement of the net defined benefit liability (asset) £3,026	Cr Other Long-Term Liabilities £3,026	Dr £3,026
GA correction to the accounting policy relating to the recognition of s106 balances has been made in 2022/23. As the 2021/22 financial statements are still open, this amended policy needs to be made in 2021/22 along with a prior period adjustment note.		Cr Creditors TBC Dr Earmarked Reserves TBC	
Overall impact	£4,868	(£4,868)	£4.868

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Infrastructure Assets As reported on page 10 CIPFA have issued an updated Code on Infrastructure Assets. This update changes the disclosure requirements for Infrastructure Assets	That Note 17 Property, Plant and Equipment is updated to reflect the updated Code on Infrastructure Assets.	✓
Financial Instruments Our review of the financial instruments identified that the disclosures were not compliant with the Code.	That Note 15 Financial Instruments is updated to include all disclosures required by the Code	✓
Covid 19 Income & Expenditure During 2020/21 Covid 19 income and expenditure was reported separately in the quarterly outturn reports presented to Cabinet. The Code requires that the Expenditure and Funding Analysis includes all segments that are used for internal management reporting	That Note 1 Expenditure and Funding Analysis is updated to include Covid 19 Income and Expenditure separately to match the internal management reporting	✓

B. Audit Adjustments

Disclosure omission (continued)	Auditor recommendations	Adjusted?
Accounting Policies We identified a number of amendment required to the Accounting Policies note including: <ul style="list-style-type: none"> - Updating Infrastructure Asset policy to reflect current circumstances - Additional narrative in the Heritage Assets policy around the operational use of the Castle and Museum and that the exhibitions aren't included on the balances sheet - Inclusion of the capital de minis in the Property, Plant & Equipment Policy - Updating the Accruals policy to include the de minis level for accruals - Removal of the accounting policy in relation to Foreign Currency 	That the Accounting Policies Note is updated.	✓
Audit Fees The Audit fee note does not agree to fees charge for 21/22	That the note is updated to reflect the actual audit fees charged for the year	✓

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The [ABC] Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Testing identified that two items (£61k) in the auto-accrual balance. In one case the item related to 2022/23 and shouldn't have been accrued for 2021/22. In the other the item was over accrued by £31k. These errors were isolated to the Auto-Accrual balance (there are no other auto-accrual codes) and we have extrapolated the error across this balance (£832k)	Cr Net Cost of Services 126	Dr Creditors 126	(126)	Actual errors are not material and reverse out in 22/23.
Overall impact	(£126)	£126	(£126)	

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee (included in audit plan & financial statements)	Final fee
Scale Fee	£50,420	£50,420
Increased FRC Challenge	£3,125	£3,125
Enhanced work regarding revaluations	£2,188	£2,188
Enhanced work regarding pensions	£2,188	£2,188
Enhanced work regarding journals	£4,000	£4,000
Enhanced work regarding ISA540	£3,000	£3,000
Increased VfM Commentary	£12,500	£12,500
Additional work on Infrastructure Assets	£5,000	£1,500
Additional work on valuations specific to 2021/22	£0	£4,000
Additional work required on IAS19 disclosures	£0	£6,000
Total audit fees (excluding VAT)	£82,421	£88,921

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
- Housing Benefit (Subsidy) Assurance Process 21/22	£12,000	£12,000
- Certification of Teachers Pension Return 21/22	£7,500	£7,500
Total non-audit fees (excluding VAT)	£19,500	£19,500

D. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Rutland County Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are

independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director for Resources (s151 officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Strategic Director for Resources (s151 officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

D. Audit opinion

In auditing the financial statements, we have concluded that the Strategic Director for Resources (s151 officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Director for Resources (s151 officer) with respect to going concern are described in the 'Responsibilities of the Authority, the Strategic Director for Resources (s151 officer) and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Director for Resources (s151 officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published

by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

D. Audit opinion

Responsibilities of the Authority, the Strategic Director for Resources (s151 officer) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director for Resources (s151 officer). The Strategic Director for Resources (s151 officer) 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources (s151 officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director for Resources (s151 officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government Act 2003, The Local Government Act 1972, The Local Government Finance Act 1988, The Local Government Finance Act 1992, The Local Government and Housing Act 1989 and The Local Government Finance Act 2012.
- We enquired of senior officers and the Audit and Risk Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We have followed up on any matters identified through inquiries performed to understand the impact on our audit procedures and our auditor's report, if any.

D. Audit opinion

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- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - The use of journal entries;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Officer – Finance and Performance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, defined benefit pensions liability valuations and provisions.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property, defined benefit pensions liability valuations and provisions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

D. Audit opinion

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Rutland County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report’
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

D. Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

E. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
 17th Floor
 103 Colmore Row
 Birmingham
 B3 3AG

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Sirs

Rutland County Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Rutland County Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Revaluation of Council Dwellings, Land & Buildings and the Net Pension Liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

E. Management Letter of Representation

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- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 6 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

E. Management Letter of Representation

Information Provided

- xviii. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 26 September 2023.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Council

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