Rutland County Council

Statement of Accounts

2014/15

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Rutland County Council
Statement of Accounts 2014/15

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Explanatory Foreword

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

I have prepared this Explanatory Foreword to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2015. 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, to give a brief summary of the overall financial position of the Council, to give details of how the Council's budget is spent and financed, and to explain the purpose of the financial statements contained within the Council's accounts.

The Explanatory Foreword is structured as follows:

1. An Introduction to Rutland County Council;
2. Key Issues that have influenced the Financial Position for 2014/15;
3. Key Events affecting the Council in 2014/15 and a look ahead to future years;
4. Review of financial performance in 2014/15;
5. The Statement of Accounts explained; and
6. 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. Rutland can lay claim to having the highest standards of living in rural Britain, after it was declared the country's best rural place to live according to the ONS survey on national well-being.

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

The population of the county is 37,400 (source: ONS, 2011 Census) which has increased by 8% since 2001. The population is projected to grow by a further 12% by 2020. The number of households in the county is 16,519. The demographics for the county show that whilst there is a predicted 12% increase in population by 2020, there will be a larger increase in the over 64 years old age group of 25%. This will have an impact on the services that the Council provide to this age group in years to come.

The area is relatively affluent when compared with other areas of England, with only small pockets of deprivation. This is shown in the overall employment rate of the working age population in Rutland of 79.7% compared to the East Midlands average of 73.5%. 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, these aims and object.

The Council, as a Unitary Authority, provides all county council and district council services (see the pie chart 'What services have been provided with the money' in Section 4 below for a summary). During 2014/5, the Council had 26 elected members (primarily elected in 2011) representing the 16 wards of the county. The political make-up of the Council at the end of the financial year was 16 Conservative Councillors, 3 UK Independence Party Councillors and 7 Councillors who are independent or not members of the above parties. The Council has adopted the Leader and Cabinet model and for 2014/15 Cabinet comprised 6 Conservative members with responsibility for the following Portfolio areas:

1. Culture, Community Safety and Housing
2. Places (Development and Economy), Finance and Sport
3. Children and Young People
4. Health
5. Places (Environment, Planning and Transport) and Resources
6. Adult Social Care

There is a management structure in place to support the work of elected members and is headed by the Strategic Management Team. During 2014/15, there have been various senior management changes. At the end of the year, members of this team included:

1. Helen Briggs – Chief Executive
2. Dr Tim O'Neil – Director for Peoples
3. Mark Andrews – Assistant Director for Peoples
4. Debbie Mogg –Director for Resources
5. Saverio Della Rocca – Assistant Director of Finance (s151 Officer)
6. Paul Phillipson – Director for Places (Development and Economy)
7. Dave Brown – Director for Places (Environment, Planning and Transport)

2. Key Issues that have influenced the Financial Position for 2014/15

The local government finance settlement set out details of the funding position for the Council where a proportion of business rates collected are retained locally and supplemented by Revenue Support Grant (RSG) and some specific grants. The key outcomes of the settlement were:

- The Council's allocation for 2014/15 for Revenue Support Grant was £5.080 million and the Business rate baseline was £3.967million;
- The Council was to pay a tariff out of its share of the business rates collected of £0.775m and a levy on any growth in business rate income above the baseline of 16.34% for 2014/15. The tariff and levy are applied on the Council's share of business rates (approx. 49% of the total amount collected).

The budget for the year was set assuming that all existing services were to continue, providing the same standards as in the previous year and the associated costs formed the base budget for 2014/15. This was then adjusted for known changes e.g. demand led service pressures. In light of the reductions in funding the 2014/15 revenue budget included total savings of £2.619m and service pressures of £0.142m.

The Medium Term Financial Plan (MTFP) for 2014/15 to 2019/20 was approved by Full Council on 17 February 2014. Over the 6 year period it assumed a continuation of the existing services with allowances for service pressures, inflation and planned savings for 2014/15 and beyond all built in. The settlement figures included provisional figures for 2015/16 which were included in the plan. Beyond 2015/16, it was estimated that RSG would continue to reduce, council tax would increase by 2% per annum and business rate growth would be minimal. The council tax freeze grant was taken again in 2014/15. The impact of the capital programme and its financing was included within the MTFP e.g. cost of external borrowing. Taking into account all the known factors the projected financial position at the end of the period of the MTFP remains sound but showed an increasingly challenging position with the Council forecasting to spend more than the resources available in the later years of the plan.

A capital programme for 2014/15 to 2018/19 was approved and was based on known and forecast levels of external funding for capital schemes and an assessment of the resources likely to be available from asset disposals. Any impact on revenue as a result of this was built into the MTFP.

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

Material transactions to be noted for the year relate to pensions for employees of the Council, who may be members of one of two separate pension schemes: The Local Government Pension Scheme, administered by Leicestershire County Council; or The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

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

The Council's net pension liability for the Local Government Pension Scheme has increased from £34.5 million to £42.0 million in the year to 31 March 2015. There are two main elements that create this liability, the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has increased by £6.7 million during the year, at the same time liabilities have also increased by £14.2 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.

3. Key Events affecting the Council in 2014/15 and a look ahead to future years

2014/15 has been a year where the Council has had to deal with a significant amount of new issues, change and uncertainty.

Significant Projects and Events

The Council undertook a “PeopleFirst” review (a root and branch review of the People Directorate) which set out the future strategic direction of the People Directorate and identified a series of further projects/actions to help the Council deliver savings of up to £1.5m whilst reshaping its services to the community – this project has started to influence decisions on staffing, led to a wider use of the public health budget and a change of approach to service delivery in some areas.

Following on from the PeopleFirst review, the People Directorate has undergone a senior management restructure which saw an Interim Director in post for a significant part of the financial year until the appointment of a permanent Director in September 2014 and a new Deputy Director from January 2015.

The Council is a key partner in the Better Care Together (BCT) programme. This programme of work will transform the health and social care system in Leicester, Leicestershire and Rutland (LLR) by 2019. BCT brings together partners in Health and Local Government, including the Council, to ensure that services change to meet the needs of local people. The programme is also working closely with public and patient involvement (PPI) representatives to develop plans for change. The Council has been working with health colleagues over 2014/15 to develop an overall strategic business case for change and latterly has been working on a number of workstreams including learning disability, planned care, frail older people and urgent care. This work will continue into 2015/16 and beyond.

Alongside its BCT work, the Council successfully submitted its first Better Care Fund (BCF) plan in June 2014 and has identified a series of projects designed to promote health and social care integration from this year. From 2015/16, the Council will be the host for the Better Care Fund pooled budget totalling c£2m. This budget will be used to fund various projects designed to promote and support independence, reduce hospital and residential care admissions and increase the effectiveness of reablement and other care services.

A major reform that will have significant impact on the Council is the introduction of The Care Act. The Care Bill was given Royal Assent in May 2014 with the main provisions of the Act coming into force in April 2015 followed by the funding provisions in April 2016. The Act will have a major impact on Adult

Social Care Services in terms of how these are delivered and funded, including a cap on the costs that people will have to pay for care during their. The Council were successful in ensuring all the provisions requiring introduction by April 2015 were implemented.

Further welfare reforms are on the horizon, the key one being the introduction of Universal Credit. This single benefit will replace 6 benefits, including housing benefits paid by local authorities. The move to one monthly payment will have a major impact on our residents who are in receipt of benefits. This change is being gradually introduced over a number of years and will impact on the authority, in that the administration subsidy grant will reduce over time and the Council will have to set up and manage a local support services framework in partnership with other organisations e.g. with the Citizens Advice Bureau. The Council continues to prepare for the implementation of Universal Credit with implementation expected in Rutland later in the Autumn of 2015/16.

Work on the Digital Rutland project continued. This was a long planned for introduction of high-speed broadband across the county continued. This is a major capital project, which is being jointly funded by the central government body, BDUK. Cabinet agreed to extend the project in June 2014 with the aim of delivering high-speed broadband to 95% of the county. The Council is working with partners to further extend the reach of the programme as part of Phase 2.

The Council continues to develop Oakham Enterprise Park. The site is attracting extra visitors into the county, some of whom, e.g. TV & film production crews, bring significant business to our hotels, bars and eateries. Tenancy across the site has continued to grow with 95.1% of floorspace now let or with leases being prepared. There is also significant interest in other units. These revised figures include the 18 new office suites which became available on 1st April. Work will continue on developing the site in 2015/16.

The Council was successful in applying for a £2 million grant from the Heritage Lottery Fund (HLF). Oakham Castle has been awarded the money that will be used to carry out extensive restoration work, introduce a new and exciting events programme, as well as provide opportunity to host re-enactments and living history. Consultants have been appointed and final design work is underway. A revised programme has been agreed by HLF and Project Board, with the Castle closing for works between September and Easter 2016.

The Council was also successful in bidding for a £500k grant from Sport England to convert the formerly Ashwell prison gym into a sports Hub. The gym has been completely refurbished and now boasts a three-court sports hall, multi-purpose studio and an artificial outdoor turf pitch. The Active Rutland Hub is now open and offers sports clubs, community organisations, educational establishments and other recreation groups a base for training sessions, classes and competitions.

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

All of these projects were delivered against a backdrop of staff turnover in key senior positions. The Council has employed a number of interims in key service areas such as IT, Audit, Adult Social Care and Children's Services whilst it determines how best to structure service delivery moving forward.

Future Financial Outlook

The Council's Medium Term Financial Plan (MTFP) and budget 2015/16 were approved in February 2015 by Full Council. The key message in relation to the MTFP was that the national economic position remains extremely challenging and that funding levels will continue to reduce beyond 2015/16. The 2015/16 provisional settlement continued the pattern of the last two years with significant reductions in funding. In responding to the financial pressure, the Council's approved budget for 2015/16 included £0.786m of new savings. At the time the budget was set the Council estimated by 2019/20 that General Fund reserves will be in the region of £1.6m assuming that the Council makes planned savings.

Towards the end of 2014/15 the council became aware of an issue that could potentially have a serious financial impact on the MTFP. The council identified that an amount totalling £7.65m (reduced to £6.68m based on reduced property numbers and some contributions originally expected related to monitoring fees no longer considered allowable) owed to the council from a section 106 agreement would no longer be received from the developer due to an error made by the Council (full disclosure of the circumstances behind this error are set out in the AGS and a detailed report has been taken to 14th September 2015 full Council).

Whilst this funding is not built into the statement of accounts or MTFP (which contains Revenue projections only) it is implicitly built into the councils Capital Funding Strategy i.e. the council has assumed that it will be receiving this funding and it will use it towards meeting the cost of infrastructure projects in the future. In the absence of this funding being received the Council may have to find alternative methods of funding assuming all the projects go ahead. The alternative funding available includes borrowing, capital receipts or grants and could have a cost impact on the MTFP.

The council has negotiated with the developer to agree an amount that would be paid in lieu of the £6.68m, the negotiated amount is less than the £6.68m so will have an impact on the future financial plans. However, as the council has negotiated a contribution of £4.8m the loss of £1.88m can be contained within the existing financial plan. The council has a number of choices including;

a. Not proceeding with all infrastructure projects and working within the negotiated contribution.
b. Preceding with all essential projects and sourcing additional resources (if this is required – it may be possible to deliver development needs in a different way to avoid the need for additional funding).

On the assumption that the Council uses prudential borrowing (and in particular internal resources rather than external borrowing) to meet the shortfall in funding £1.88m, the annual cost to the Council over a 25 year period is c£80k in additional Minimum Revenue Provision. The Council already estimates that it has to make £2.5m saving by 2019/20 and this additional cost does make the challenge more difficult it is one that the Council is confident of meeting. The Council is doing a substantial amount of work looking at both savings and investment opportunities and will be bringing forward proposals for consideration by elected Members in due course.

The budget setting and monitoring approach has been developed to cope with the changes and general reserves have been increased to support the Council during the predicted period of financial turbulence. Review of the MTFP is a continual process and it will continue to be updated as we progress through 2015/16.

The Treasury Management Strategy 2015/16 was approved by Full Council on 9 February 2015. Again, as with 2014/15, the Strategy complies with the Local Government Act 2003 and supporting regulations which require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators that ensure that the Council's capital investment plans are affordable, prudent and sustainable. It also sets out the treasury strategy for borrowing and the annual investment strategy. The key points are the same as for 2014/15, and they are to note that in relation to the impact on revenue balances for 2015/16, that the security of capital and the liquidity of its investments were the priority over the return achievable, and that as a result of this investments were restricted to short term. Secondly because of the economic climate interest rates remained at historically low levels.

4. Review of 2014/15

In February 2014 the Council set out its MTFP that took into account assumptions on levels of council tax and government support, inflationary and demand led spending pressures and the impact of its capital programme over a 5 year period.

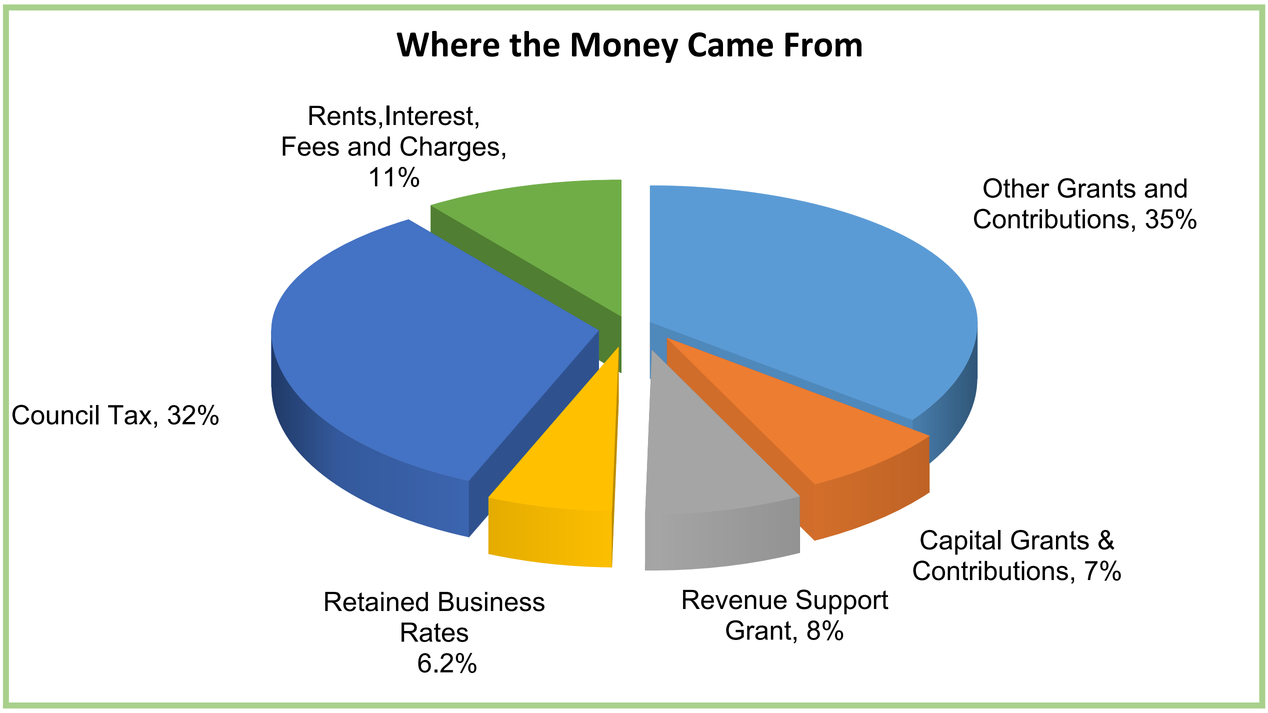
The MTFP was set against the background of an economic recession with interest rates at historically low levels. A brief summary of activity for the year is given below and full details are in the main body of the Statement of Accounts.

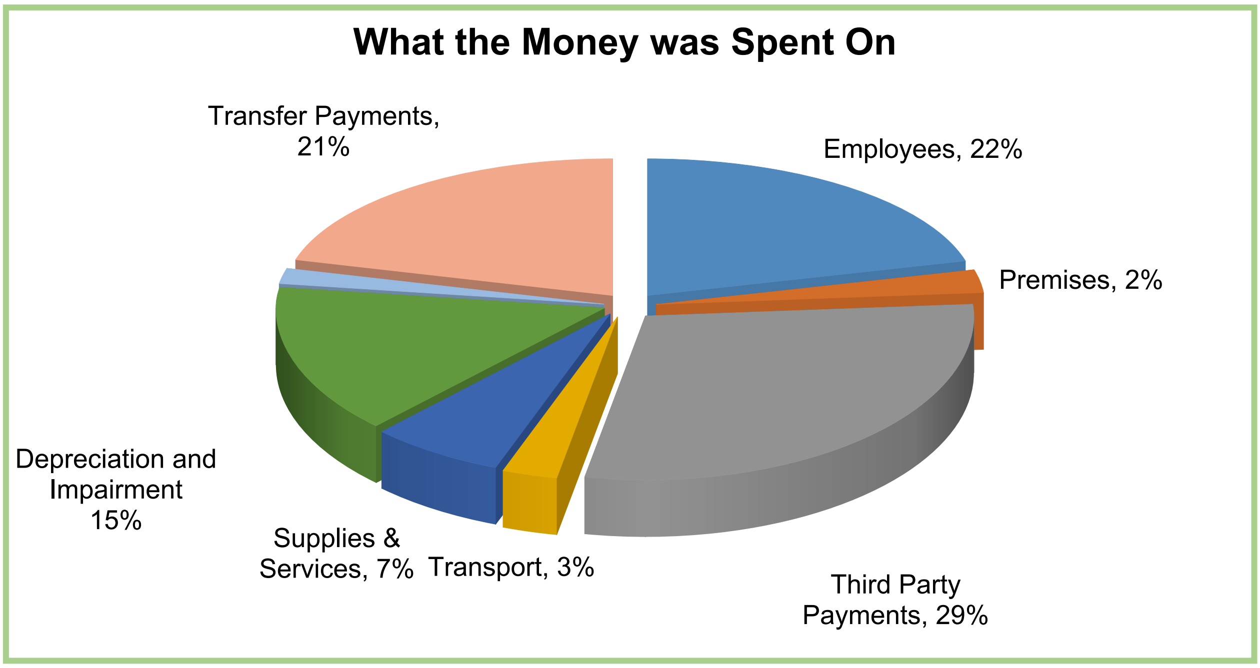
In overall terms, the Council has achieved a surplus of £1.613m compared to a current budget surplus of £1.027m. At the Net Cost of Services level the Council's outturn is £30.688m compared to the revised budget of £32.263m. This represents an under spend of £1.575m (circa 4.9%).

The reported surplus is broadly in line with what has been reported in previous quarters. At Net Cost of Service level the quarterly forecasts throughout the year have reduced each quarter reflecting the greater likelihood that some budgets would not be spent and would need to be carried forward or savings made in anticipation of savings targets built into the budget in 2015/16.

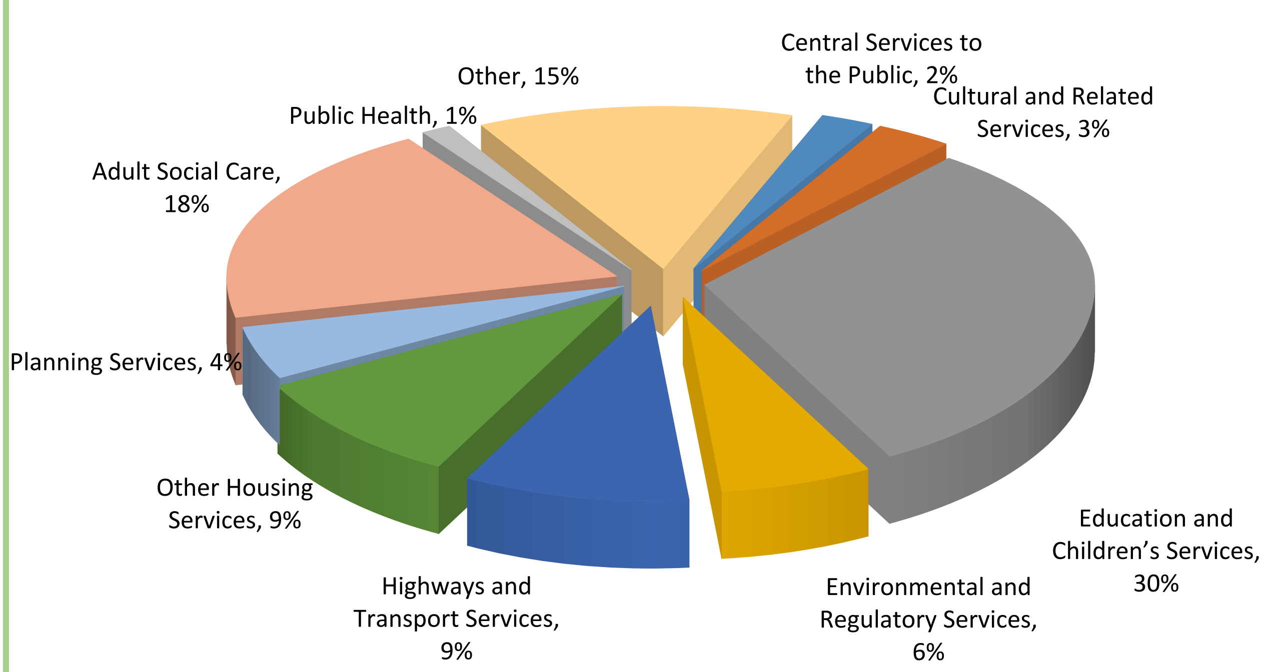
The MTFP as reported to Cabinet in February set out a Net Cost of Service budget for 2015/16 of £33.509m.

The following charts outline where the Council's revenue money came from, how it was spent and on which services during 2014/15.





What Services Have Been Provided with the Money



General Fund Revenue Account

The following table summarises the position for the General Fund for 2014/15. The outturn presents a better position than that originally envisaged for two key reasons – net cost of services expenditure was less than anticipated in some areas and additional grants were received towards the year end.

	Revised Budget £000	Outturn £000	Variance £000
Net cost of Services	32,263	30,688	(1,575)
Other Operating costs	2,026	1,987	(39)
Net Operating Expenditure	**34,289**	**32,675**	**(1,614)**
Financing	(35,316)	(34,288)	1,028
(Surplus)/Deficit for year	**(1,027)**	**(1,613)**	**(586)**

Capital

Capital Expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £6.021m, compared to the approved capital project budget of £7.955m (i.e. 76% of the approved programme was actually spent) with the balance being carried forward for completion in 2015/16.

Expenditure was funded from external grants and contributions (£4.759m), borrowing (£0.901m), and the remainder (£0.361m) from revenue and capital receipts.

	Revised Budget £000	Outturn £000	Variance £000
People	437	340	(97)
Places	7,518	5,680	(1,838)
Total Capital Expenditure	**7,955**	**6,020**	**(1,935)**

5. Further Information

Further information about these accounts is available from:

Mr Saverio Della Rocca Assistant Director of Finance Rutland County Council Oakham Rutland LE15 6HP sdellarocca@rutland.gov.uk	Mr Andrew Merry Finance Manager - Technical Rutland County Council Oakham Rutland LE15 6HP amerry@rutland.gov.uk

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

Independent Auditor's Report

Insert when received

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

Chairman's Approval of the Statement of Accounts

This statement of accounts was approved by the Audit and Risk Committee at a meeting on 22 September 2015

Signed on behalf of Rutland County Council:

Councillor D MacDuff
Chair, Audit and Risk Committee

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 2 to 79 presents a true and fair view of the financial position of the Council at 31st March 2015 and its income and expenditure for the year ended 31 March 2015.

S. Della Rocca

Mr S Della Rocca
Assistant Director, Finance (Chief Financial Officer)
30 June 2015

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.

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000	Comprehensive Income & Expenditure Statement (CIES)	Notes	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
12,246	(2,617)	9,629	Adult Social Care		12,330	(3,272)	9,058
3,127	(1,054)	2,073	Central Services		1,689	(997)	692
21,935	(13,443)	8,492	Education & Children's Services		20,421	(12,623)	7,798
1,957	(608)	1,349	Cultural & Related Services		2,323	(502)	1,821
4,128	(442)	3,686	Environmental & Regulatory Services		4,293	(316)	3,977
6,505	(1,592)	4,913	Highway & Transport Services		6,388	(1,342)	5,046
6,326	(5,784)	542	Housing Services		6,420	(6,253)	167
1,934	(721)	1,213	Planning Services		3,009	(925)	2,084
931	(1,044)	(113)	Public Health		916	(1,124)	(208)
59,089	**(27,305)**	**31,784**	**Cost Of Services**		**57,789**	**(27,354)**	**30,435**
4,088	-	4,088	Other Operating Expenditure	9	7,881	-	7,881
2,062	(122)	1,940	Financing & Investment Income & Expenditure	10	2,521	(154)	2,367
30	(40,988)	(40,958)	Taxation & Non-Specific Grant Income	11	-	(37,741)	(37,741)
65,269	**(68,415)**	**(3,146)**	**(Surplus) / Deficit on Provision of Services**		**68,191**	**(65,249)**	**2,942**
		(355)	Surplus on Revaluation of Non-Current Assets				(5,167)
		8,055	Actuarial (Gains) / Losses on pension Assets / Liabilities				6,267
		7,700	**Other Comprehensive Income & Expenditure**				**1,100**
		4,554	**Total Comprehensive Income & Expenditure**				**4,042**

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 12. 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.

Movement in reserves during 2013/14 and 2014/15	**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 1 April 2013	*8,265*	*3,016*	*-*	*4,027*	*15,308*	*24,738*	***40,046***
Surplus / (Deficit) on Provision of Services	*3,146*	*-*	*-*	*-*	*3,146*	*-*	***3,146***
Other Comprehensive Income & Expenditure	*-*	*-*	*-*	*-*	*-*	*(7,700)*	***(7,700)***
Total Comprehensive Income & Expenditure	***3,146***	***-***	***-***	***-***	***3,146***	***(7,700)***	***(4,554)***
Adjustments between accounting basis and funding basis under regulations (Note 13)	*(1,920)*	*687*	*-*	*441*	*(792)*	*792*	***-***
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	***1,226***	***687***	***-***	***441***	***2,354***	***(6,908)***	***(4,554)***
Transfers to or from Earmarked Reserves	*(1,429)*	*1,429*	*-*	*-*	*-*	*-*	***-***
Other Movements	-	658	-	-	658	(281)	***377***
Increase/(Decrease) in 2013/14	***(203)***	***2,774***	***-***	***441***	***3,012***	***(7,189)***	***(4,177)***
Balance at 31 March 2014	***8,062***	***5,790***	***-***	***4,468***	***18,320***	***17,549***	***35,869***
Balance 1 April 2014	**8,062**	**5,790**	**-**	**4,468**	**18,320**	**17,549**	**35,869**
Surplus / (Deficit) on Provision of Services	(2,942)	-	-	-	*(2,942)*	-	***(2,942)***
Other Comprehensive Income & Expenditure	-	-	-	-	*0*	(1,100)	***(1,100)***
Total Comprehensive Income & Expenditure	**(2,942)**	**0**	**0**	**0**	**(2,942)**	**(1,100)**	**(4,042)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	6,737	(203)	-	(720)	*5,814*	(5,814)	***0***
Net Increase before Transfers to Earmarked Reserves	3,795	(203)	0	(720)	2,872	(6,914)	(4,042)
Transfers to / (from) Reserves	(2,182)	2,182	-	-	*0*	-	***0***
Increase/(Decrease) in 2014/15	**1,613**	**1,979**	**0**	**(720)**	**2,872**	**(6,914)**	**(4,042)**
Balance 31 March 2015	**9,675**	**7,769**	**0**	**3,748**	**21,192**	**10,635**	**31,827**

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, ie 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 13, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2014 £000	**Balance Sheet**	**Notes**	**31 March 2015 £000**
73,494	Property, Plant & Equipment	17	74,595
2	Long Term Investments	15	-
425	Long Term Debtors	22	135
73,921	**Long Term Assets**		**74,730**
1,723	Assets Held for Sale	23	1,723
46	Inventories *(Salt Stocks)*		71
5,000	Short Term Investments		14,025
6,290	Short Term Debtors	22	5,086
11,533	Cash & Cash Equivalents	29	5,972
24,592	**Current Assets**		**26,877**
(5,706)	Short Term Creditors	24	(5,589)
(479)	Provisions	25	(305)
(6,185)	**Current Liabilities**		**(5,894)**
(21,911)	Long Term Borrowing	15	(21,923)
(34,548)	Other Long Term Liabilities	31	(41,964)
(56,459)	**Long Term Liabilities**		**(63,887)**
35,869	**Net Assets**		**31,826**
(18,320)	Usable Reserves	13	(21,192)
(17,549)	Unusable Reserves	13	(10,634)
(35,869)	**Total Reserves**		**(31,826)**

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 2014	**Cash Flow Statement**	**Notes**	**31 March 2015**
£000			**£000**
(3,146)	Net (Surplus)/Deficit on the Provision of Services		2,942
(5,616)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(11,347)
1,798	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,009
(6,964)	**Net Cash Flow from Operating Activities**	26	**(5,396)**
8,519	Investing Activities	27	10,980
132	Financing Activities	28	(23)
1,687	**Net (increase) or decrease in cash and cash equivalents**		**5,561**
(13,220)	Cash and cash equivalents at the beginning of the reporting period	29	(11,533)
(11,533)	**Cash and cash equivalents at the end of the reporting period**	29	**(5,972)**

Notes to the Accounts

1. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice. However, the Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet at a directorate service level (based on its organisational structure). These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the CIES)
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income & Expenditure 2014/15	Resources £000	Places £000	People £000	Total £000
Fees, charges & other service income	(1,008)	(2,816)	(3,458)	(7,282)
Government Grants	(5,891)	(962)	(2,301)	(9,154)
Total Income	(6,899)	(3,778)	(5,759)	(16,436)
Employee expenses	3,105	3,474	6,814	13,393
Other service expenses	8,674	10,558	12,610	31,842
Depreciation & Support Services Recharges	16	1,366	508	1,890
Total Expenditure	11,795	15,398	19,932	47,125
Net Expenditure	4,896	11,620	14,173	30,689

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	
Net Expenditure in Portfolio Analysis	30,689
Amounts in the CIES not reported to management in the analysis	(209)
Amounts Included in the Analysis not Included in the CIES	(45)
Cost of Services in Comprehensive Income and Expenditure Statement	30,435

Portfolio Income & Expenditure 2013/14	*Resources*	*Places*	*People*	*Total*
	£000	*£000*	*£000*	*£000*
Fees, charges & other service income	*(634)*	*(2,952)*	*(3,208)*	*(6,794)*
Government Grants	*(5,854)*	*(941)*	*(13,829)*	*(20,624)*
Total Income	*(6,488)*	*(3,893)*	*(17,037)*	*(27,418)*
Employee expenses	*3,089*	*3,136*	*6,597*	*12,822*
Other service expenses	*8,437*	*10,831*	*24,271*	*43,539*
Depreciation & Support Services Recharges	*206*	*1,191*	*530*	*1,927*
Total Expenditure	*11,732*	*15,158*	*31,398*	*58,288*
Net Expenditure	*5,244*	*11,265*	*14,361*	*30,870*
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)				
Net Expenditure in Portfolio Analysis				*30,870*
Amounts in the CIES not reported to management in the analysis				*914*
Amounts Included in the Analysis not Included in the CIES				*-*
Cost of Services in Comprehensive Income and Expenditure Statement				*31,784*

Reconciliation to Subjective Analysis

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

Subjective Analysis 2014/15	**Service Analysis**	**Not Reported to Management**	**Amounts not included in CIES**	**Net Cost of Services**	**Corporate Amount**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(7,282)	(13)	-	(7,295)	(1,362)	(8,657)
Interest & investment income	-	-	-	0	(154)	(154)
Income from Council Tax	-	-	-	0	(21,038)	(21,038)
Income from Retained Business Rates	-	-	-	0	(4,029)	(4,029)
Government Grants	(9,154)	(11,081)	-	(20,235)	(11,312)	(31,547)
Total Income	**(16,436)**	**(11,094)**	**0**	**(27,530)**	**(37,895)**	**(65,425)**
Employee expenses	13,393	(169)	-	13,224	1,476	14,700
Other service expenses	31,797	10,946	-	42,743	-	42,743
Depreciation, amortization and impairment	1,890	108	-	1,998	-	1,998
Interest Payments	-	-	-	0	1,045	1,045
Loss on Disposal of Non-Current Assets	-	-	-	0	7,286	7,286
Precepts & Levies	45	-	(45)	0	595	595
Total Operating Expenses	**47,125**	**10,885**	**(45)**	**57,965**	**10,402**	**68,367**
(Surplus)/Deficit on the Provision of Services	**30,689**	**(209)**	**(45)**	**30,435**	**(27,493)**	**2,942**

Subjective Analysis 2013/14	*Service Analysis £000*	*Not Reported to Management £000*	*Net Cost of Services £000*	*Corporate Amount £000*	*Total £000*
Fees, charges & other service income	*(6,794)*	*-*	*(6,794)*	*-*	*(6,794)*
Interest & investment income	*-*	*-*	*-*	*(122)*	*(122)*
Income from Council Tax	*-*	*-*	*-*	*(24,424)*	*(24,424)*
Government Grants	*(20,624)*	*-*	*(20,624)*	*(16,534)*	*(37,158)*
Total Income	*(27,418)*	*-*	*(27,418)*	*(41,080)*	*(68,498)*
Employee expenses	*12,822*	*(249)*	*12,573*	*-*	*12,573*
Other service expenses	*43,539*	*60*	*43,599*	*-*	*43,599*
Depreciation, amortization and impairment	*1,927*	*1,184*	*3,111*	*3,475*	*6,586*
Interest Payments	*-*	*-*	*-*	*2,062*	*2,062*
Precepts & Levies	*-*	*(81)*	*(81)*	*613*	*532*
Total Operating Expenses	*58,288*	*914*	*59,202*	*6,150*	*65,352*
(Surplus)/Deficit on the Provision of Services	*30,870*	*914*	*31,784*	*(34,930)*	*(3,146)*

2. Members Allowances

The following amounts were paid to members of the Council.

2013/14 £000	**Members Allowances**	**2014/15 £000**
97	Basic allowances	96
69	Special responsibility allowances	75
12	Expenses	17
178	**Members allowances**	**188**

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 control over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the some 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 2015 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 2014/15 is shown in Note 2. During 2014/15, no significant works and services were commissioned from parties where Members had an interest.

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

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

Officers of the Council

Officers who have any influence over the authority's financial operations are required to make an annual declaration of any material transactions they or their immediate family have with the authority. There are no transactions in 2014/15 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.

Officers Remuneration	Year	Salary £000	Agency / Recharge £000	Expense Allowance £000	Pension Contribution £000	Total £000
Chief Executive	2014/15	116,981	0	1,581	21,875	*140,437*
	2013/14	*117,609*	*0*	*1,117*	*20,463*	*139,189*
Director of Peoples (1)	2014/15	56,389	86,888	502	10,545	*154,324*
	2013/14	*97,053*	*0*	*937*	*14,081*	*112,071*
Director of Places (2) (Development & Economy)	2014/15	65,917	0	20	12,326	*78,263*
	2013/14	*67,500*	*0*	*285*	*11,948*	*79,733*
Director of Places (Environment, Planning & Transport)	2014/15	70,000	0	166	13,090	*83,256*
	2013/14	*67,500*	*0*	*451*	*11,948*	*79,899*
Director of Resources (3)	2014/15	80,000	0	744	14,960	*95,704*
	2013/14	*65,776*	*49,470*	*1,433*	*11,646*	*128,325*
Assistant Director (4) (Finance)	2014/15	65,000	0	492	12,155	*77,647*
	2013/14	*35,742*	*0*	*164*	*6,326*	*42,232*
Director of Public Health (5)	2014/15	0	19,245	0	0	19,245
	2013/14	*0*	*7,816*	*0*	*0*	*7,816*
Total	**2014/15**	**454,287**	**106,133**	**3,505**	**84,951**	**648,876**
	2013/14	451,180	57,286	4,387	76,412	589,265

1. The Director of Peoples was staffed by an agency person from April 2014 to September 2014 and then a Director was appointed for the remainder of the year.
2. The Director of Places (Development & Economy) was appointed towards on 22 April 2014.
3. The Director of Resources returned from maternity leave on 3 April 2013. This was a phased return, with the return to full-time being with effect from 9 September 2013. Interim support was provided through an agency.
4. The post of Assistant Director of Finance was filled on 11 September 2013.
5. Director of Public Health is shared with Leicestershire County Council. Rutland County Council is recharged a proportion of the salary costs.

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 overleaf

2013/14 Number of Employees	**Remuneration Bands**	**2014/15 Number of Employees**
2	£50,000 - £54,999	3
-	£55,000 - £59,999	-
1	£60,000 - £64,999	2
-	£65,000 - £69,999	1
-	£70,000 - £74,999	-

5. Termination Benefits

The authority terminated the contracts of 7 employees in 2014/15 incurring liabilities of £74,500 (2013/14 5 totalling £41,000). The total cost above has been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

In addition to these there was 3 compromise agreements during 2014/15, amounting to £12,400 (6 totalling £81,800 2013/14)

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, KPMG LLP.

2013/14 £000	**External Audit Costs**	**2014/15 £000**
86	Fees payable with regard to external audit services carried out by the appointed auditor for the year	89
8	Fees payable for the certification of grant claims and returns for the year	7
7	Fees payable in respect of other services provided by the appointed auditor during the year	3
101	**Total**	**99**

7. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2014/15 and for the previous financial year, 2013/14 follows:

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure**	**Individual School Budget (ISB)**	**Total**
	£000	**£000**	**£000**
Final DSG for 2014/15 before Academy Recoupment			(26,291)
Academy Figure Recouped for 2014/15			15,840
Total DSG after Academy recoupment for 2014/15			(10,451)
Brought Forward from 2013/14			(269)
Agreed initial budgeted distribution in 2014/15	(3,181)	(7,539)	(10,720)
In year Adjustments		(48)	(48)
Final budgeted distribution 2014/15	(3,181)	(7,587)	(10,768)
Less actual central expenditure	2,159	-	2,159
Less actual ISB deployed to schools	-	8,046	8,046
Carry forward to 2015/16	**(1,022)**	**458**	**(564)**

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 2012. 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

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure**	**Individual School Budget (ISB)**	**Total**
	£000	**£000**	**£000**
Final DSG for 2013/14 before Academy Recoupment			(25,505)
Academy Figure Recouped for 2013/14			13,880
Total DSG after Academy recoupment for 2013/14			(11,625)
Brought Forward from 2012/13			(160)
Agreed initial budgeted distribution in 2013/14	(3,340)	(8,445)	(11,785)
Final budgeted distribution 2013/14	(3,340)	(8,445)	(11,785)
Less actual central expenditure	2,262	-	2,262
Less actual ISB deployed to schools	-	9,254	9,254
Carry forward to 2014/15	**(1,078)**	**809**	**(269)**

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 covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2014/15 was £8.20 million (£7.00 million 2013/14) of which Rutland County Council contributed £0.09 million (£0.07 million 2013/14). Total expenditure from the pool was £8.11 million (£7.00 million 2013/14).

The department has also entered into a pooled budget arrangement for the deprivation of liberty services with Leicestershire County Council and Leicester City Council. Leicestershire County Council acts as the host authority. The total income to the pool for 2014/15 was £0.754 million (£0.344 million 2013/14) of which Rutland County Council contributed £0.072 million (£0.035 million 2013/14). Total expenditure from the pool was £0.557 million (£0.632 million 2013/14). The additional income in 2014/15 was to fund the deficit in 2013/14.

From the 1 April 2015 the Council will enter into a £2.046m pooled budget arrangement for the Better Care Fund. 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 submitted a Better Care Fund plan; this has been fully approved by NHS England.

9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2013/14 £000	Other Operating Expenditure	2014/15 £000
533	Parish Council Precepts	550
80	External Levies	45
3,475	Net (Gains)/Losses on Disposal of Non-Current Assets	7,286
4,088	**Total**	**7,881**

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

2013/14 £000	Financing & Investment Income & Expenditure	2014/15 £000
1,045	Interest payable & similar charges	1,045
1,137	Net interest on the net defined benefit liability (asset)	1,476
(120)	Impairment of investment	0
(122)	Interest receivable and similar income	(154)
1,940	**Total**	**2,367**

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

2013/14 £000	Taxation & Non-Specific Grant Income	2014/15 £000
20,683	Council Tax income	21,038
3,741	Retained business rates income	4,029
24,424	**Total Taxation Income**	**25,067**
	Non-specific grants	
5,841	Revenue Support Grant	5,080
198	Small Business Rate Relief (Section 31)	357
290	Education Services Grant	255
210	Council Tax Freeze	217
486	Social Care Reform	138
416	New Homes Bonus	538
-	Better Care Fund	622
95	Efficiency Support in SPARSE areas	-
68	Adoption Grant	100
-	Transport Review	100
75	Special Educational Needs	254
234	Public Health Grant	-
167	Clinical Commissioning Group - Health	326
250	Other	199
24	Sustainable Drainage	57
132	Severe Weather Recovery Scheme	-
8,486	**Total Non-Specific Grants**	**8,243**
701	Section 106 Contributions	1,008
7,347	Capital Receipts, Grants & Contributions	3,423
8,048	**Total Other Income**	**4,431**
40,958	**Total**	**37,741**

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 2014/15:

2013/14	**Credited to Services**	**2014/15**
£000		**£000**
63	School Sport Partnership	141
5,724	Housing Benefit Subsidy	5,637
146	Benefits Administration Subsidy	154
563	Adult Learning (Various)	605
11,932	Dedicated Schools Grant *(note 7)*	10,463
75	Unaccompanied Asylum Seeking Children	167
1,044	Public Health	1,073
78	Changing Lives	-
728	Travel 4 Rutland	605
93	Carbon Management, Energy & Climate Change	-
30	Train to Gain	-
64	Revenues	53
56	Community Covenant	22
74	Oakham Castle Restoration	40
-	Pupil Premium	426
-	Troubled Families Programme	53
-	Universal Infant Free School Meals	202
205	Other Grants	232
20,875	**Total**	**19,873**

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

2013/14	**Revenue Grants & Contributions - Receipts in Advance**	**2014/15**
£000		**£000**
41	Community Covenant Grant	89
49	School Sport Partnership	6
16	Transport Strategy & Public Transport	-
21	Comenius Regio	16
28	Museums	-
-	Adult Skills	24
-	Commissioning Plan Fund	25
-	Community Safety Portfolio	17
-	LSA Fund	24
-	Ministry of Defence	19
28	Other Grants	43
183	**Total**	**263**

The authority credited the following capital grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14	**Capital Grants & Contributions**	**2014/15**
£000		**£000**
325	Capital Maintenance	282
103	Basic Need Grant	103
1,814	Highways Capital Maintenance	1,760
210	Highways Integrated Transport	295
65	Devolved Formula Capital	60
1,989	Travel for Rutland	513
84	Disabled Facilities Grants	86
820	Digital Rutland	-
409	Health – Dementia	-
73	LASSL (DH)	74
-	Sport England – Active Rutland Hub	320
-	Contribution – Youth Housing Project	138
701	S106 Contributions	1,008
87	Other Grants & Contributions	156
6,680	**Total**	**4,795**

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 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 2014 £000	**Summary of Usable & Unusable Reserves**	**1 April 2014 £000**	**Movement £000**	**31 March 2015 £000**
	Usable Reserves			
8,062	General Fund Balance	8,062	1,613	9,675
1,107	School Balances	1,107	525	1,632
4,683	Specific Reserves (Note 14)	4,683	1,454	6,137
0	Capital Receipts Reserve	0	-	0
4,468	Capital Grants	4,468	(720)	3,748
18,320	**Total Usable Reserves**	**18,320**	**2,872**	**21,192**
20,845	Revaluation Reserve	20,845	(2,774)	18,071
30,584	Capital Adjustment Account	30,584	4,052	34,636
544	Deferred Capital Receipts	544	(272)	272
105	Financial Instruments Adjustment Account	105	(12)	93
(34,545)	Pension Fund Reserve	(34,545)	(7,419)	(41,964)
288	Collection Fund Adjustment Account	288	(512)	(224)
(272)	Accumulating Compensated Absences Adjustment Account	(272)	22	(250)
17,549	**Total Unusable Reserves**	**17,549**	**(6,915)**	**10,634**
35,869	**Total Reserves**	**35,869**	**(4,043)**	**31,826**

Adjustments between Accounting Basis & Funding Basis Under Regulations 2014/15	Usable Reserves			
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the capital adjustment account:				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	854			(854)
Revaluation losses on Property Plant and Equipment	1,144			(1,144)
Capital grants & contributions applied	(3,725)		(801)	4,526
Revenue expenditure funded from capital under statute	759			(759)
Amounts of non-current asset written off on disposal of sale	7,329			(7,329)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(1,108)			1,108
Capital expenditure charged against the general fund	(46)			46
Adjustment primarily involving the Capital Grants Unapplied Accounts				
Capital grants & contributions unapplied	(81)		81	-
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(43)	43	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	272	-	(272)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(315)	-	315
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	12	-	-	(12)
Adjustment primarily involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,911)	-	-	1,911
employer's pension contributions and direct payments to pensioners payable in the year	3,063	-	-	(3,063)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income is different from income calculated in accordance with statutory requirements	512			(512)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(22)			22
Total Adjustments	**6,737**	**0**	**(720)**	**(6,017)**

Adjustments between Accounting Basis & Funding Basis Under Regulations 2013/14	*Usable Reserves*			*Movement in Unusable Reserves*
	General Fund Balance	*Capital Receipts Reserve*	*Capital Grants Unapplied*	
	£000	*£000*	*£000*	*£000*
Adjustments primarily involving the capital adjustment account:				
<u>Reversal of items debited or credited to the CIES:</u>				
Charges for depreciation and impairment of non-current assets	*1,927*			*(1,927)*
Capital grants & contributions applied	*(5,093)*	*(1,414)*	*(1,123)*	*6,955*
Revenue expenditure funded from capital under statute	*1,184*			*(1,184)*
Amounts of non-current asset written off on disposal of sale	*3,475*			*(3,475)*
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	*(1,161)*			*1,161*
Capital expenditure charged against the general fund	*(30)*			*30*
Adjustment primarily involving the Capital Grants Unapplied Accounts				
Capital grants & contributions unapplied	*(1,564)*		*1,564*	*-*
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	*(1,414)*	*1,414*		*-*
Adjustments primarily involving the Financial Instruments Account				
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	*12*			*(12)*
Adjustment primarily involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	*2,674*			*(2,674)*
employer's pension contributions and direct payments to pensioners payable in the year	*(1,798)*			*1,798*
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income is different from income calculated in accordance with statutory requirements	*(131)*			*131*
Adjustments primarily involving the Accumulated Absences Account				
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	*11*			*(11)*
Total Adjustments	*(1,920)*	*0*	*441*	*792*

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.

2013/14	**Revaluation Reserve**	**2014/15**
£000		**£000**
23,135	Balance 1 April 2014	20,845
901	Upward revaluation of assets	5,408
(545)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(241)
(209)	Difference between fair value depreciation and historical depreciation	(419)
(2,437)	Release of revaluation gains	(7,522)
20,845	**Total**	**18,071**

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.

2013/14	**Deferred Capital Receipts Reserve**	**2014/15**
£000		**£000**
816	Balance 1 April 2014	544
(272)	Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the CIES	(272)
544	**Total**	**272**

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.

2013/14	**Financial Instruments Adjustment Account**	**2014/15**
£000		**£000**
117	Balance 1 April 2014	105
(12)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(12)
105	**Total**	**93**

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on Donated Assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 13 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

2013/14	**Capital Adjustment Account**	**2014/15**
£000		**£000**
26,388	Balance 1 April 2014	30,584
(2,984)	Charges for depreciation and impairment of non-current assets	(854)
(1,106)	Revenue expenditure funded from capital under statute	(759)
-	Grant Funding of Revenue expenditure funded from capital under statute	433
(78)	Non-enhancing capital expenditure written off	-
(2,447)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(7,329)
2,646	Adjusting amounts written out of the Revaluation Reserve	7,941
1,414	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	315
4,469	Capital grants and contributions credited to the CIES that have been applied to capital financing	3,361
1,091	Application of grants to capital financing from the Capital Grants Unapplied Account	733
1,161	Statutory provision for the financing of capital investment charged against the General Fund balance	1,108
-	Revaluation losses on Property, Plant & Equipment	(1,144)
-	Use of the s106 Reserve to finance new capital expenditure	201
30	Capital expenditure charged against the general Fund balance	46
30,584	**Total**	**34,636**

Pensions Reserve

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

2013/14	Pensions Reserve	2014/15
£000		£000
(25,614)	Balance 1 April 2014	(34,545)
(8,055)	Re-measurements of the net defined benefit liability (asset)	(6,267)
(2,674)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,063)
1,798	Employers pensions contributions and direct payments to pensioners payable in the year	1,911
(34,545)	**Total**	**(41,964)**

Collection Fund Adjustment Account

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

2013/14	Collection Fund Adjustment Account	2014/15
£000		£000
157	Balance 1 April 2014	288
131	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	(512)
288	**Total**	**(224)**

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.

2013/14	Accumulated Absences Account	2014/15
£000		£000
(261)	Balance 1 April 2014	(272)
261	Settlement or cancellation of accrual made at the end of the preceding year	272
(272)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(250)
(272)	**Total**	**(250)**

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 2014/15.

General Fund Earmarked Reserves	31 March 2014 £000	Transfers out £000	Reclassification £000	Transfers In £000	31 March 2015 £000
Invest to Save	378	(146)	71	53	356
Planning Delivery Grant	84	(10)	-	-	74
Internal Audit	15	(10)	-	-	5
Local Strategic Partnerships	38	-	(38)	-	0
Adult Demographic Change	172	-	(172)	-	0
Training	50	-	-	30	80
Travel for Rutland	33	-	-	17	50
Business Rates	207	-	80	-	287
Highways	308	(136)	-	126	298
Public Health	347	-	-	212	559
Risk Management	2	-	-	2	4
Financial Crisis Support	10	-	(10)	-	0
Castle restoration	51	-	-	-	51
Tourism	-	(7)	74	-	67
Digital Rutland	-	(75)	367	-	292
Adoption Reform	-	(11)	68	-	57
SEND Grant	-	-	-	104	104
SEN Grant	-	(55)	75	150	170
Social Care Reserve	-	(21)	680	358	1,017
Insurance	-	-	-	100	100
Welfare Reserve	-	-	49	81	130
Section 106	1,084	(202)	-	837	1,719
Commuted Sums	357	(35)	-	-	322
Budget Carry Forward	1,547	(222)	(1,244)	314	395
Total	**4,683**	**(930)**	**0**	**2,384**	**6,137**

15. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2015 are made up of the following categories of financial instruments:

2013/14		Categories of Financial Instruments	**2014/15**	
Long Term	*Current*		**Long Term**	**Current**
£000	*£000*		**£000**	**£000**
(21,911)	*(4,823)*	Financial liabilities (principal)	(21,923)	(5,190)
(186)	*-*	Accrued interest	(186)	-
(22,097)	*(4,823)*	**Total Borrowing** (financial liabilities at amortized cost)	**(22,109)**	**(5,190)**
		Loans & Receivables		
	5,000	Short Term Investments	-	14,025
420	*13,809*	Debtors	128	9,316
420	***18,809***	**Total Investments** (loans & Investments at amortized cost)	**128**	**23,341**

The gains and losses recognized 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	2014/15 Financial Liabilities Measured at Amortised Cost £000	2014/15 Financial Assets – Loans & Receivables £000
Interest Expense	1,033	-
Impairment Gains / (Losses)	-	-
Total Interest Payable & Similar Charges	**1,033**	**0**
Interest & Investment Income		(154)
Net Gain / (Loss)	**0**	**(154)**

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognized;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

2013/14 Carrying Amount £000	*2013/14 Fair Value £000*	Fair Value of Financial Instruments	2014/15 Carrying Amount £000	2014/15 Fair Value £000
21,386	*28,075*	PWLB Debt	21,386	35,809
630	*525*	Non PWLB Debt	630	537
22,016	*28,600*	Total Debt	22,016	36,346
3,680	*3,680*	Trade Creditors	3,471	3,471
25,696	*32,280*	**Total Financial Liabilities**	**25,487**	**39,817**
16,554	*16,554*	Money Market Loans < 1 Year	18,408	18,408
2,276	*2,090*	Trade Debtors	2,325	1,767
18,830	*18,644*	**Total Loans & Receiveables**	**20,733**	**20,175**

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

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

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

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

The fair value for loans and receivables has been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

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.

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

Overall these procedures require the authority to manage risk in the following ways:

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

These indicators are required to be reported and approved at or before the authority meets to set its annual budget and Council Tax each year. These items are reported with the annual treasury management strategy which outlines the approach to managing risk in relation to the authority's financial instrument exposure. Actual performance is also reported annually to Members. These policies are implemented by officers in the finance team within the Resources directorate. The authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

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

The authority does not generally allow credit for its trade debtors, such that £2.08m of the £3.31m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Period	£000
Less than three months	1,242
More than three months	842
Total	**2,084**

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

Period	£000
Less than one year	-
Between one and two years	-
Between two and seven years	-
Between seven and 15 years	630
More than 15 years	21,386
Total	**22,016**

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

Period	£000
Between one and two years	6
Between two and three years	4
More than three years	118
Total	**128**

All trade and other payables are due to be paid in less than one year and trade debtors totalling £3.31 million are not shown in the table above.

Market Risk

Interest rate risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Total Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the fair value of fixed rate investments, which have a quoted market price, will be reflected within the Comprehensive Income and Expenditure Statement. The authority has no financial instruments in these classifications.

The authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

Officers in the finance team within the Resources directorate will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 0.25% higher (with all other variables held constant) the financial effect in 2014/15 would be:

Effect	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(63)
Total	**(63)**

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.

17. Property, Plant & Equipment

Property, Plant & Equipment (PPE) – 2014/15	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastr-ucture £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1 April 2014	**50,909**	**1,796**	**38,795**	**0**	**577**	**92,077**
Reclassification from Assets Under Construction	-	-	-	-	-	0
Additions	1,365	103	3,253	541	-	5,262
Revaluation increase / (decrease) recognised in the Revaluation Reserve	4,883	-	-	-	153	5,036
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services	(1,587)	-	-	-	-	(1,587)
De-recognition - Disposals	(7,635)	-	(843)	-	-	(8,478)
Reclassification from Assets Held for Sale	-	-	-	-	-	0
Reclassification to Surplus Assets	-	-	-	-	-	0
At 31 March 2015	**47,935**	**1,899**	**41,205**	**541**	**730**	**92,310**
Accumulated Depreciation & Impairment						
At 1 April 2014	**(10,974)**	**(1,477)**	**(5,845)**	**-**	**(287)**	**(18,583)**
Depreciation charge in year	(942)	(137)	(1,159)	-	(13)	(2,251)
Depreciation written out to the revaluation reserve	351	-	-	-	22	373
Depreciation written out to the Surplus/Deficit on the Provision of Services	443	-	-	-	-	443
Impairment recognized in Revaluation Reserve	(242)	-	-	-	-	(242)
Impairment recognized in Surplus/Deficit on the Provision of Services	1,275	-	-	-	121	1,396
De-recognition – Disposal	1,149	-	-	-	-	1,149
At 31 March 2015	**(8,940)**	**(1,614)**	**(7,004)**	**0**	**(157)**	**(17,715)**
Net Book Value At 31 March 2015	**38,995**	**285**	**34,201**	**541**	**573**	**74,595**
At 1 April 2014	39,935	319	32,950	0	290	73,494

During 2014/15 a review of how the Council accounts for schools assets was undertaken due to the incorporation of IFRS 12 – Disclosure of other interests in entities. This review did not result in any change of classification or valuations of the schools included on the Councils Balance Sheet.

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

18. Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is revalued at least every five years on an appropriate basis. All valuations in 2014/15 have been carried out by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

Valued at fair value as at	**Vehicles, Plant & Equipment £000**	**Other Land & Buildings £000**	**Total £000**
Historical Cost	319	-	319
At 1 April 2011		18,656	18,656
At 1 April 2012		18,928	18,928
At 1 April 2013		1,983	1,983
At 1 April 2014		6,746	6,746
Total cost or valuation	**319**	**46,313**	**46,632**

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 County Museum and Oakham Castle and the exhibits fall within this definition. The Council's policies for Heritage Assets are included within its Cultural Strategy and it complies with national acquisitions and disposals for accredited museums. Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for as operational assets and valued in the same way as other assets of that type. Both the Castle and the Museum are operational heritage assets held by the Council and are included within the balance sheet at their depreciated replacement cost.

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

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.

2013/14	**Capital Financing Requirement**	**2014/15**
£000		**£000**
25,886	Opening Capital Financing Requirement	24,143
	Capital Investment	
5,316	Property Plant & Equipment	5,261
1,106	Revenue expenditure funded from capital under statute (REFCUS)	759
	Sources of Finance	
(1,414)	Capital Receipts	(315)
(5,561)	Government Grants	(4,758)
(1,190)	Sums set aside from revenue (inc.direct revenue financing and (MRP))	(1,154)
24,143	**Closing Capital Financing Requirement**	**23,936**
	Explanation of movement in year	
(1,743)	Increase/(reduction) in the underlying need to borrow	(207)

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;

2013/14	**Council as Lessee - Operating Leases**	**2014/15**
£000		**£000**
62	Not later than one year	62
199	Later than one year and not later than five years	125
266	Later than five years	378
527	**Total**	**565**

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

2013/14	Council as Lessee – Minimum Lease Payments	2014/15
£000		£000
68	Minimum Lease Payment	69

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:

2013/14	Council as Lessee - Operating Leases	2014/15
£000		£000
105	Not later than one year	275

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

2013/14	Short-term debtors	2014/15
£000		£000
2,548	Central Government Bodies	1,259
364	Other Local Authorities	265
881	NHS Bodies	1,275
96	Schools	105
2,401	Other Entities & Individuals	2,182
6,290	**Total**	**5,086**

2013/14	Long-term debtors	2014/15
£000		£000
272	VAT Shelter	0
122	Housing Association	120
31	Other	15
425	**Total**	**135**

23. Assets Held for Sale

The authority has 2 assets held for sale at 31 March 2015 (Barleythorpe Hall and Ashwell Highways Depot). These assets are currently being actively marketed.

2013/14	**Assets Held for Sale**	**2014/15**
£000		**£000**
3,058	Balance 1 April	1,723
	Assets newly classified as held for sale	
792	Revaluation gains	-
(545)	Impairment losses	-
	Assets declassified as held for sale	
(554)	Property, Plant and Equipment	-
(1,028)	Assets Sold	-
1,723	**Total**	**1,723**

24. Creditors

2013/14	**Creditors**	**2014/15**
£000		**£000**
716	Central Government Bodies	941
691	Other Local Authorities	672
279	Schools	213
4,020	Other Entities & Individuals	3,763
5,706	**Total**	**5,589**

25. Provisions

Provision	**Balance 1 April**	**Addition to Provision**	**Amount Charged in Year**	**Balance 31 March**
	£000	**£000**	**£000**	**£000**
Land Charges	40	5	(26)	19
Social Care	234	-	(234)	0
Appeals (NDR)	205	81	-	286
Balance 31 March	**479**	**86**	**(260)**	**305**

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.

26. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2013/14	**Operating Activities**	**2014/15**
£000		**£000**
(121)	Interest Received	(154)
1,033	Interest Payables	1,045

27. Cash Flow Statement – Investing Activities

2013/14 £000	**Investing Activities**	**2014/15 £000**
6,501	Purchase of property, plant and equipment, investment property and intangible assets	6,020
22,687	Purchase of short-term and long-term investments	14,000
(1,367)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(315)
(14,852)	Proceeds from short-term and long-term investments	(5,000)
(4,450)	Capital Grants Received	(3,725)
8,519	**Total**	**10,980**

28. Cash Flow Statement – Financing Activities

2013/14 £000	**Financing Activities**	**2014/15 £000**
-	Repayment of short and long-term borrowing	
132	Other payments for financing activities	(23)
132	**Total**	**(23)**

29. Cash Flow Statement – Cash & Cash Equivalents

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

2013/14 £000	**Cash & Cash Equivalents**	**2014/15 £000**
5	Cash held by the authority	3
137	Bank current accounts in credit	665
12,704	Short term deposits	5,404
(1,313)	Bank current accounts overdrawn	(100)
11,533	**Total**	**5,972**

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 2014/15 the authority paid £0.39 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£0.49 million and 14.1% 2013/14). 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 final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 35 above).

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:

2013/14 *£000*	**Comprehensive Income & Expenditure Statement**	**2014/15** **£000**
	Cost of Service	
2,050	Current Service Cost	2139
19	Past Service Cost	7
(532)	Effects of Settlements	(560)
	Financing & Investment Income & Expenditure	
1,137	Net interest expense	1477
2,674	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**3063**
	Other post-employment benefits charged to the CIES	
793	Return on plan assets (excluding the amount included in the net interest expense)	(5,566)
1,539	Actuarial gains and losses arising on changes in demographic assumptions	0
2,317	Actuarial gains and losses arising on changes in financial assumptions	12,465
3,406	Other	(632)
8,055	Total Re-measurements Recognised in CIES	**6,267**
10,729	**Total post employment benefit charged to the CIES**	**9,330**
	Movement in Reserves Statement	
(2,674)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(3,063)
876	Actual Amount charged against the General Fund Balance for Pensions in the year	1,152
(1,798)	**Total Movement in Reserves Statement**	**(1,911)**

2013/14	Pensions Assets and Liabilities Recognised in the Balance Sheet	2014/15
£000		**£000**
(48,437)	Fair Value of Employer Assets	(55,226)
82,982	Present Value of Defined Benefit Obligation	97,190
34,545	**Net liability arising from defined benefit obligation**	**41,964**

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

2013/14	Reconciliation of the Fair Value of the Scheme Assets	2014/15
£000		**£000**
47,696	Opening fair value of Scheme Assets	48,437
2,123	Interest Income	2,064
	Re-measurement gain/(loss)	
(793)	Return on plan assets, excluding the amount included in the net interest expense	5,566
(543)	Effect of Settlements	(604)
1,798	Contributions from Employer	1,911
576	Contributions from Employees	588
(2,420)	Benefits Paid	(2,736)
48,437	**Closing Fair Value of Scheme Assets**	**55,226**

2013/14	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2014/15
£000		**£000**
73,310	Opening Liability at 1 April	82,982
2,050	Current Service Cost	2,139
3,260	Interest Cost	3,541
576	Contributions from Scheme Participants	588
	Re-measurement (gains) and losses	
1,539	Actuarial gains/losses arising from changes in demographic assumptions	0
2,317	Actuarial gains/losses arising from changes in financial assumptions	12,465
3,406	Other	(632)
19	Past Service Costs	7
(2,420)	Benefits Paid	(2,736)
(1,075)	Liabilities Extinguished on Settlements	(1,164)
82,982	**Closing Liability at 31 March**	**97,190**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £41.964 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 2016 is £1.816m.

The following table is a required by the revised IAS19 disclosure requirements and details the composition of the Scheme Assets into classes that distinguish the nature and risks of those assets. All of the assets have quoted prices in active markets apart from the asset category Private Equity.

2013/14 £000	Local Government Pension Scheme Assets	2014/15 £000
1,780	**Equity Securities**	1,714
	Debt Securities	
599	UK	3,030
3,463	Other	2,271
4,062	Total debt securities	5,301
1,901	**Private Equity**	2,095
4,528	**Real Estate**	5,233
	Investment Funds & Unit Trusts	
24,421	Equities	27,845
3,187	Bonds	5,144
1,655	Hedge Funds	2,397
2,194	Commodities	2,320
1,099	Infrastructure	1,302
2,511	Other	1,013
35,067	Total investment funds & unit trusts	40,021
0	**Derivatives**	309
1,099	**Cash & Cash Equivalents**	553
48,437	**Closing Fair Value of Scheme Assets**	**55,226**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Leicestershire County Council Pension Fund based on the latest full valuation of the scheme as at the 31 March 2015.

The significant assumptions used by the actuary have been:

2013/14		2014/15
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.2	Men (years)	22.2
24.3	Women (years)	24.3
	Longevity at 65 for Future Pensioners:	
24.2	Men (years)	24.2
26.6	Women (years)	26.6
	Financial Assumptions	
2.80%	Rate of Inflation	2.80%
4.60%	Rate of increase in salaries	4.30%
2.80%	Rate of increase in pensions	2.40%
4.30%	Rate for discounting scheme liabilities	3.20%
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	75.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 are shown in Note 34 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 16 June 2011. This amendment included changes to IAS19 that took effect from 1 January 2013 for accounting periods ending on or after 31 December 2013. The calculations have been carried out in accordance with the Pensions Technical Actuarial Standard (TAS) adopted by the Financial Reporting Council, which came into effect on 1 January 2013 (version 2), and other Technical Actuarial Standards.

The Council anticipated to pay £1.816m expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for active members is 23.5 years,

32. Contingent Liabilities

The Council agreed in 2010 to contribute a maximum of £725,000 towards the future development and operation of the Rutland County College, this contribution being made from a sum received from the former operator of the college. The contribution covers the cumulative operational deficit expected in the first few years, based on a 7 year business plan. The contingent liability will remain until the 7 year period has ended in 2017.

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

33. 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.

2013/14	**Trust Funds**	**2014/15**
£000		**£000**
6	Income	6
(11)	Expenditure	(8)
187	Assets	199
-	Liabilities	-

34. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 27 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events that required any significant adjustments to the accounts for 2014/15

35. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the authority's Balance Sheet at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions could be measured. However the assumptions interact in complex ways. For 2014/15 the authority's actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 3%.
Arrears	At 31 March 2015 the authority had a balance of £5.1 million for all of its short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £0.2 million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require an additional £0.2 million to be set aside.
Business Rates	The Business Rates Retention Scheme was introduced from 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may have to be repaid on successful appeals. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date.	The structure of the appeals is not uniform, there are different classes of business, each of which have had historically different success rates of appeal and the value of each individual appeal can vary considerably. Due to these different criteria and the fact that each class of appeal is provided for separately it would not give the user of the accounts any meaningful information by flexing the provision.

36. Accounting Standards that have been Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

IFRS 13 - Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 - Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

Collection Fund

2013/14 Total £000	Collection Fund	2014/15 Council Tax £000	Business Rates £000	Total £000
	Income			
(23,971)	Council Tax Receivable	(24,419)		(24,419)
(9,756)	Business Rates Receivable		(10,193)	(10,193)
-	Transitional Protection Payments Receivable		(15)	(15)
(15)	Local Council Tax Support - General Fund Contribution	(24)		(24)
(33,742)	**Total Income**	**(24,443)**	**(10,208)**	**(34,651)**
	Expenditure			
	Precepts			
20,219	Rutland County Council	21,014		21,014
2,393	Leicestershire Police	2,525		2,525
803	Leicester, Leicestershire & Rutland Fire Authority	848		848
23,415	***Total Precepts***	**24,387**	**0**	**24,387**
	Business Rates Shares			
4,814	Central Government		4,960	4,960
4,718	Rutland County Council		4,860	4,860
96	Leicester, Leicestershire & Rutland Fire Authority		99	99
9,628	***Total Business Rates Shares***	**0**	**9,919**	**9,919**
	Charges to the Collection Fund			
53	Write Off - Uncollectable Amounts	55	35	90
11	Increase / (Decrease) in Bad Debt Provision	(25)	5	(20)
418	Increase / (Decrease) in Appeals Provision		165	165
53	Cost of Collection		53	53
48	Transitional Protection Payments Payable		0	0
583	***Total Charges to the Collection Fund***	**30**	**258**	**288**
	Distribution of Previous Year's Estimated Collection Fund Surplus			
	Central Government		57	57
125	Rutland County Council	495	56	551
15	Leicestershire Police	59		59
5	Leicester, Leicestershire & Rutland Fire Authority	20	1	21
145	***Total Distribution of Previous Year's Estimated Collection Fund Surplus***	**574**	**114**	**688**
33,771	**Total Expenditure**	**24,991**	**10,291**	**35,282**
29	**(Surplus) / Deficit on Collection Fund**	**548**	**83**	**631**
	Collection Fund Balance			
(181)	(Surplus)/Deficit B/Fwd 1 April	(575)	423	(152)
29	(Surplus)/Deficit Arising During the Year	547	83	630
(152)	**(Surplus)/Deficit C/Fwd 31 March**	**(28)**	**506**	**478**

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 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 2015 was £26.787 million (31 March 2014 - £25.940 million).

The standard BR multiplier for 2014/15 was 48.2 pence (2013/14 – 47.1 pence). The small business multiplier for 2014/15 was 47.1 pence (2013/14 – 46.2 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 2014/15 is calculated as follows:

2013/14 Band D Equivalent	Band	Ratio	Number of Chargeable Dwellings	2013/14 Band D Equivalent
2.50	A (with Disable Relief)	5/9	5.04	2.80
594.27	A	6/9	1,056.90	704.60
2,137.43	B	7/9	2,960.10	2,302.33
2,076.81	C	8/9	2,423.13	2,153.89
2,032.93	D	9/9	2,099.15	2,099.15
2,443.14	E	11/9	2,011.53	2,458.54
2,075.75	F	13/9	1,433.79	2,071.03
1,931.14	G	15/9	1,169.65	1,949.42
244.53	H	18/9	120.85	241.70
13,538.50	Total			13,983.46
410.04	Ministry of Defence contribution in lieu of council tax			462.00
(187.23)	Allowance for non-collection			(139.83)
13,761.31	**Council Tax Base**			**14,305.63**

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 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 the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and revenue on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Acquired Operations

The Council is required to disclosure the income and expenditure of any newly acquired functions on the face of the Comprehensive Income and Expenditure Statement.

Acquired operations are those which the Council has acquired during the accounting period. Examples of acquired operations are:

- Services and/or geographical areas for which responsibility has passed to the authority due to the reorganisation of local government, or

- Services acquired as a consequence of legislation, eg a new statutory responsibility transferred from another entity.

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 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.

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, eg 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 remuneration rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions 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 amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three 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).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' and NHS schemes mean that 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, 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 – ie 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.
  - Remeasurements 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 Balance Sheet Date

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

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

Exceptional Items

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

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

For the borrowings that the 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The 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 into two types:

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

Loans and Receivables

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

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. 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 Comprehensive Income and Expenditure Statement to the net gain 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.

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

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

Available-for-Sale Assets

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

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

- instruments with quoted market prices: the market price

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

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

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

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

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

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

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 (non ring-fenced 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.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant, and Equipment. However the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. 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.

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. 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 value of works and services received under the contract 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income 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, plant or equipment – 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 (eg 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 those that benefit from the supply or service in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 (ie 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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie 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 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.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

- infrastructure – straight-line allocation over various asset lives

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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 (eg 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 appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, 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.

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.

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.

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 of 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 arms 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 of 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, ie 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. Peterborough 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’ (ie 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 (eg Fire and Police authorities, Parish council), requires it to be collected on its behalf.

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 services.

Appendix A – Annual Governance Statement

1. Scope of Responsibility

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.

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

The elements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government are embedded throughout the Council's Constitution and other strategies. This statement explains how the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. The Purpose of the Governance Framework

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.

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.

The governance framework has been in place at Rutland County Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Vision, Aims and Objectives

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

The Council's strategic aims, which are reviewed and refreshed by Cabinet and Council generally on an annual basis, provide a clear set of priorities against which the Council can allocate resources and are supported by clear accountability for delivery. A revised set of strategic aims and objectives was approved by the Council in April 2012. The financial implications of implementing the agreed priorities were incorporated in the Medium Term Financial Plan ("MTFP") approved in February 2013 and then kept under review. The MTFP was updated in February 2015. Appropriate provision for continuing to implement the Council's priorities has been included in the budget for 2015/16.

The key priorities for 2014/15 included:

- Delivering a balanced MTFP;
- Undertaking a comprehensive review of the People Directorate with a view to resetting priorities and reshaping service provision in light of continued financial challenges;
- Planning for the implementation of the Care Act from 1 April 2015;
- Working with East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG) through the Health and Well Being Board to develop a Better Care Fund plan for integrating social and health care services;
- Targeting steps to achieve local economic growth;
- Developing a Learning Strategy for the new Education environment; and
- Continuing to implement capital projects, in particular Oakham Enterprise Park and Digital Rutland.

These priorities have been addressed against a backdrop of other significant changes affecting the Council and the county.

Constitutional Arrangements

The Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Panels and provides for extensive delegation to officers. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in May 2013. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

The Constitution is kept under review by a working group of members appointed by the Council. The working group recommends amendments to the Constitution to the Council as and when it considers it appropriate.

During 2014/15 the work included:

- A rewrite of the Financial Procedure Rules which were approved by Full Council in March 2015;
- Amendments to planning delegations which were approved in October 2014;
- Amending the constitution so that only the members of the Strategic Management Team are subject to appointment by the Chief Officer Appointment Committee;
- Revisions to the model planning code which were approved in February 2015; and
- Recommending an increase to the quorum of Development Control and Licensing Committee from three members to five members which was approved in February 2015.

The working group also contributed to the Community Governance Review regarding the future of the Parish of Horn. The Terms of Reference were produced and presented to the Group in December 2014 and formal consultation then began. The key recommendation of the community governance review was to amalgamate both parishes into a new parish called Exton and Horn.

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.

Decision Making Arrangements

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

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

The Director of Resources is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision making body must be considered by the Head of Legal (under a shared service arrangement with Peterborough City Council) before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

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.

Governance

In 2014/15, the Council established a Governance Group to provide a forum for officers of the Council to discuss and develop a coordinated approach to:

1. Risk management;
2. Corporate governance;
3. Statutory and constitutional compliance;
4. Decision-making and accountability;
5. Audit, inspection and control systems; and
6. Corporate policy and procedures

The focus of the Group is upon the Council and also the partnership bodies on which it serves as a member. The group works under the broad direction of the Strategic Management Team and comprises officers from across the Council. To date, the Group has focused on raising awareness of changes in legislation affecting governance matters and promoting compliance with existing policies and procedures in areas like data management, changes to the transparency code etc.

Performance Management

The Council has a performance management framework through which quality of service and use of resources is measured. Financial and non-financial performance is monitored by Directorate Management Teams and Strategic Management Team on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis. Progress against the strategic aims is measured in milestones and this is included in quarterly monitoring reports. The performance management framework flows through the Council, down to an individual employee level. All officers have a Performance Development Review with their manager during each year. This process includes reviewing progress against objectives and targets.

Cabinet takes the lead role in improving the performance management framework and maintaining comprehensive quarterly reporting that includes financial performance, progress against non-financial targets and milestones, and risk management. The framework changed for 2014/15 in two aspects: a new key project list with progress updates was added to each report as was a public health performance dashboard.

Financial Management

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

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

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

The Assistant Director - Finance is a member the Council's Strategic Management Team and is actively involved in the key business decisions of the Council. The Assistant Director oversees the development and work of the financial management function at the Council and is the Council's proper officer for matters of financial administration. The post holder is professionally qualified as a CIPFA Accountant with suitable experience. It is therefore confirmed that the Council is fully compliant with the requirements set out in the CIPFA statement.

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

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

In their Annual Governance report issued in September 2014, the external auditors concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted. The Contract Procedure Rules were reviewed during 2013/14 and the Financial Procedure Rules have been reviewed, updated and will be implemented from 1 April 2015. To support the new rules and financial governance in general, the Council has run training sessions and developed an e-learning module for those involved in financial management.

Risk Management

Risk Management is embedded in the Council through the Risk Management Strategy. The Council maintains a Strategic Risk Register, linking risks to strategic aims and assigning ownership to each risk. The Deputy Leader is the lead member for risk management. The Strategic Management Team is responsible for maintaining an up-to-date register of strategic risks and monitoring the actions taken to mitigate them. Risk Management reports are occasionally presented to Audit and Risk Committee or Scrutiny Panels.

The key development in 2014/15 was the development of a new fraud risk register which was reported to Audit and Risk in January 2015. This set out a list of potential fraud risks and details of how the Council seeks to mitigate them. This will be kept up-to-date and reported to Audit and Risk Committee.

Risk Management is an integral part of the Council's decision making processes. All Council papers include reference to risk and set out an impact analysis that helps members and officers understand the impact of decision-making. In late March 2015, the Council developed a new reporting template which requires more explicit reference and commentary in relation to how specific risk issues related to decisions. This template was accompanied by a report writers guide for Officers.

In relation to overall risk management arrangements, the Council has been in dialogue with its insurance advisors to review existing arrangements, refresh its strategy and update undertake risk management awareness training.

Standards of Conduct

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

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

The Conduct Committee reviewed and made recommendations (which were agreed) to March Council to revise the Code of Conduct to ensure that it met the revised definitions of the general principles of conduct (the Nolan principles) provided by the Committee for Standards in Public Life.

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

Employees are also subject to a Code of Conduct and a number of specific policies (such as Harassment, Discrimination and Bullying) set out in the Corporate Induction Portfolio. All new members of staff receive one to one induction training with their line manager and attend an induction training session.

The Officer Code of Conduct was updated in 2013/14 and required no changes in 2014/15. All new members of staff are required to sign up to the new code and it is covered as part of the induction process.

Information Governance

The Council has introduced a number of safeguards to ensure the appropriate use of information it holds. All employees have undertaken mandatory training to ensure they are compliant with data protection legislation and good practice.

Enhancements to current processes such as Subject Access Requests have been made to ensure customers are able to access the information they are legally entitled to. A Governance Coordinator post has been introduced to review current processes and develop strategies for improvement in corporate Privacy Notices and Data Sharing arrangements. The Council has also implemented a Data Incident Response Protocol. This document provides a clear framework in which Members and Officers should operate in the event of a data incident.

Data Retention is the next key area to be reviewed as part of the overall Information Governance strategy.

Counter-fraud, Whistleblowing and Complaints

The Council has arrangements in place for receiving allegations of fraud or misconduct through its whistle-blowing policy. All members of staff are made aware of this policy through the induction programme and it is publicised through the staff bulletin and intranet.

The Council was the victim of a fraud in the year. The Council received a fraudulent letter asking for a genuine suppliers bank details to be updated. The letter was not deemed to be suspicious and was processed. This resulted in a number of payments being made to a false account. A report was taken to Audit and Risk Committee setting out how the Council has strengthened procedures in response to this issue. The Council also developed a fraud risk register as part its wider response to mitigating fraud and corruption.

The Council recognises the importance of customer complaints and welcomes complaints as a valuable form of feedback about its services. There is a formal compliments and complaints procedure which enables the Council to respond to complaints but also to use the information it receives effectively, to help drive forward improvements. A new process came into effect on 1st January 2015. The Council also developed a Children's and Adults Social Care protocol which sits under the corporate complaints policy and provides further detail on responding to matters in these areas.

Developing Effectiveness

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

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

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

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

In 2014/15 Member training was provided on:

- The Care Act
- Safeguarding/Corporate Parenting
- Standards & Conduct
- Conduct & Ethics
- Childhood Sexual Exploitation
- Plus other regulatory training prior to committees such as Audit & Risk.

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

Service Delivery

The Council uses a variety of service delivery models. It has a number of key services such as refuse collection and highways which are outsourced. It is also part of many successful partnerships, including a pooled budget with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering Rutland and Leicestershire for Adult Social Care service and the Children's Trust. Along with other authorities in the Welland Partnership, the Council has a shared Internal Audit Service (for which it is the lead Council) and joint Procurement Unit. Further shared services arrangements have been implemented, covering public protection services, legal services and benefit fraud investigations. The Council works in partnership with other local authorities and public agencies through the Leicester, Leicestershire and Rutland Local Resilience Forum to prepare for, and respond to, civil emergencies.

The cost of the Council's services continues to be relatively low as evidenced by cost profiles produced by the Audit Commission. Nevertheless, the Council continues to review how services should be delivered and this was a key part of its budget deliberation for 2015/16.

One of the Council's key projects in 2014/15 was the review of the People Directorate called **PeopleFirst** which was originally commissioned by Council in January 2014. The objectives of the review were to:

- put in place a vision for the future of service delivery for the Directorate within the over-arching One Council Vision
- propose a commissioning strategy to support the vision
- recommend a structure to support the commissioning strategy
- undertake the appropriate consultation
- deliver on-going savings on the cost base of the People Directorate

The review included a detailed look at all services provided by the People Directorate and considered the rationale for the provision of services, options for delivering services differently and improving performance/reducing cost. The review also included significant stakeholder engagement for 7 weeks from 28th April – 13th June.

The conclusions of the review were presented to Council in September 2014 and identified a number of recommendations/lines of enquiry that could save the Council in the region of £1.5m over the term of the Medium Term Financial Plan (3-5 years). This included restructuring the Directorate, working up opportunities to integrate services with health, redirecting Public Health monies, focusing service provision on those in greatest need and exploring the opportunity to charge for some services.

Community Engagement, Partnership working and Reporting

Rutland Together

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

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

Better Care Together and the Better Care Fund

Better Care Together (BCT) is a significant programme of work which will transform the health and social care system in Leicester, Leicestershire and Rutland (LLR) by 2019. BCT brings together partners in Health and Local Government, including the Council, to ensure that services change to meet the needs of local people. The programme is also working closely with public and patient involvement (PPI) representatives to develop plans for change.

Two of the key issues we need to address relate to the ever increasing demand on social and health care services and the fact too many people find themselves in hospital and residential care. This is often because we have not done enough to keep them well and supported in the community before hospital and/or residential care becomes the only option.

The BCT vision is for a local health and social care system that supports our community through every stage of life. More information can be found at:

http://www.bettercareleicester.nhs.uk/EasysiteWeb/getresource.axd?AssetID=32078

Officers and Members of the Council are working across LLR to integrate reform and transform services. As part of this work, the government has set up the Better Care Fund – 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 ELRCCG have submitted a Better Care Fund plan; this has now been fully approved by NHS England. The two organisations' are working closely to develop implementation plans for integrating health and social care services.

We report to the Health and Wellbeing Board on a regular basis to present our developing project plans, and report on expenditure and progress against the performance metrics as set out by government. More information can be found here

Other engagement

The Council undertakes public engagement and consultation on a range of matters. In 2014/15 this included:

- consultation in relation to PeopleFirst as described above;
- a business summit held in partnership with the Local Enterprise Partnership to raise awareness of the support available locally;
- annual budget consultation about future levels of council tax. In respect of the budget, public consultation took place through the Council website, was promoted through Twitter, and a small display at Rutland libraries. Presentations were also made to local businesses and council employees;
- a statutory review of the polling districts, places and stations was undertaken starting on 17 November 2014 until 12 December 2014 with final recommendations being presented to full Council on 31 January 2015; and
- a Community Governance Review was undertaken in December 2014 to February 2015 with a final report to full Council in March 2015 in order to determine the future of the parish area of Horn. All residents of Horn were contacted via letter along with the neighbouring parish council, ward councillors and council officers. The resulting decision merged the parish area of Horn with that of the Exton parish area.

Reporting

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

The Council publishes information relating to all of its expenditure on its website and also complies 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.

http://www.rutland.gov.uk/council_and_democracy/transparency_code_2014-15.aspx

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of its effectiveness is informed by the work of the senior managers within the 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.

Internal and Management assurance

Internal Audit

The responsibility for maintaining an effective Internal Audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. This responsibility is delegated to the Assistant Director - Finance. The Internal Audit service operates in accordance with best practice professional standards and guidelines. The service independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources.

The Internal Audit service is provided by the Welland Internal Audit Consortium. The former Head of Consortium retired in August 2014 having implemented an improvement plan following an independent external review undertaken in 2013/14. From August 2014, the Consortium has been working with Local Government Shared Services (LGSS) to manage the Internal Audit service.

In 2014/15 the Consortium completed 22 assurance assignments, each providing an assurance opinion over the design and effectiveness of the control framework in place – 18 of these were rated as 'Substantial' or 'Sufficient' assurance and 4 as 'Limited' assurance. The reports providing an opinion of Limited Assurance related to the Agresso system, Safe Driving at Work, ICT Asset Management and Client Finances – Court of Protection and Deputyships. Each Limited assurance report is presented to the Audit and Risk Committee with separate follow up on actions taken by management to address the areas of concern.

Members receive an annual report of Internal Audit activity and approve the Audit Plan for the forthcoming year. For the year 2014/15, it is the opinion of the Head of the Welland Internal Audit Consortium that Sufficient Assurance can be taken from the Council's control environment. At least Sufficient assurance was provided over audits of the key financial system controls for Payroll, Creditors, Debtors, Local Taxation and Benefits.

Scrutiny

During 2014/15 the Scrutiny Panels have considered a number of issues of particular concern to satisfy members that there are robust governance arrangements in place as far as the Council's own services are concerned. These include: development of the People First Review, implications of the Care Act and Better Care Fund, CQC Inspection reports, Safeguarding Children and Adults, Corporate Parenting; Learning and Skills Strategy, School Improvement Plan, Parking Review, Community Infrastructure Levy, Economic Growth Strategy; Legal Services, ICT Services, Corporate Support Team, Complaints Policy and Discretionary Relief Policy.

Each Scrutiny Panel has produced an annual scrutiny report presented to Council in March.

The Scrutiny Commission conducted a review of the work that scrutiny carries out and a number changes were identified which will improve the reporting pathway to Cabinet and Council, the support provided to Chairs and working groups and the presentation of officer reports to Panels. Further suggestions will be considered by the new Scrutiny Commission.

Performance

The end of year report was presented to Cabinet in June 2015. In summary, the report states that 94% of KPI targets were on target and 6% were below target.

Business Continuity Exercise

Specific recovery plans are in place for the 5 key threats listed below.

- loss of key staff (skills/knowledge);
- loss of telephone system;
- loss of buildings;
- loss of ICT; and
- loss of utilities.

An exercise was carried out on 9th October 2014 with senior managers across the authority to test the plans. This exercise was successful but highlighted some areas for improvement. Officers have reviewed and revise the recovery plans following the exercise. The business continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from any site in the event of an incident. The revised business impact assessment and recovery plans will be approved in June 2015.

Management Assurance

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

External Audit, Inspections and Reviews

External Audit

The Audit and Risk Committee has received and formally debated the Annual Audit Letter and External Audit Annual Plan. KPMG in their Annual Governance Report for 2013/14 gave the Council an unqualified audit opinion on the financial statements and value for money conclusion.

Peer Challenge Review– Adults

The Peer Challenge Team Review (PCTR) is part of the East Midlands Sector-Led Improvement Programme for Adults Services. This was a 3-day visit that took place 9th February 2015 focussing on Adult Safeguarding. The review identified strong political and strategic engagement and that front-line practice appears to have improved significantly. The reviewers felt that the Council has knowledgeable, informed and committed staff and feedback from service users and carers was positive. They identified the need to support priority and capacity of managers, as well as improving stability of managers and leadership. There was a need for greater clarity and consistency around policy, procedures shared across L&R with questions about the structure of the adults safeguarding board. Overall there was a strong message about the need to maintain the pace of improvement. The recommendations are now being progressed through the peer review action plan.

Data Incidents

Following the introduction of a Data Incident Response Protocol, a small number of incidents were reported and subsequently managed in accordance with the Protocol.

Between May 2014 and February 2015 10 reports were made. All were investigated to satisfactory conclusion with no outstanding risks identified. Incidents ranged from the loss of files containing personal information to Council Tax information being incorrectly disclosed to a number of customers. Officers involved were disciplined as a result of various breaches. The Information Commissioner's Office (ICO) was notified of two incidents; which resulted in their decision to take no further action.

Office of the Surveillance Commissioner (OSC)

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

Public Services Network compliance

The Council must demonstrate compliance with the Public Services Network (PSN) Code of Connection (CoCo) on an annual basis. The CoCo is an Information Assurance mechanism to support the connection of a network to another accredited network, without increasing or substantially changing the risks to the already accredited network. The Council undertakes a CoCo Security Health-Check annually (carried out by accredited third party) to identify any weak compliance positions. Once these have been addressed, the Council complete and return the CoCo for the PSNA (PSN Authority) to assess eligibility to connect.

The Council has had its compliance verification activity reviewed and may act and operate as a PSN Customer during 9th March 2015 and 9th March 2016. The Certificate is valid until 9th March 2016. It may be withdrawn at any time in instances of non-compliance are identified.

Better Care Fund review

The final Better Care Fund plan was approved by the Rutland Health and Wellbeing board on the 17th September and submitted to the Department of Health on the 19th September 2014, with a couple of tweaks required in November 2014 (As requested by NHS England).

Local Government Ombudsman (LGO)

The Ombudsman's report for the year ended 31 March 2014 showed that eighteen complaints (there were 7 in 2012/13) had been made during the year. The nature and outcome of these complaints are detailed in the table below.

Detailed investigations carried out						
Upheld	**Not upheld**	**Advice given**	**Closed after initial enquiries**	**Incomplete / Invalid**	**Referred back for local resolution**	**Total**
1	1	0	9	1	6	18

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. There has been one significant governance issue arising. Whilst action has been taken to address this issue, full disclosure of the issue, impact and Council's response is given below.

5. Significant Governance Issues

In April 2015, the Council identified a failing relating to a planning application and section 106 agreement (originally dealt with in 2011 and 2012) which has significant financial and reputational implications for the Council. The Council has investigated the matter and produced a full report to Full Council setting out the circumstances and details surrounding the application. The report was discussed at Full Council on September 14th 2015. A summary of the circumstances, its impact and the Council's response is provided below:

The issue
On 11th July 2011 Rutland County Council entered into a Section 106 agreement with Hawksmead (Larkfleet) Limited) ("Larkfleet") linked to the outline planning approval granted and signed on the same date (OUT/2009/1306) for a major residential development known as Oakham North. The Section 106 agreement required the developer to pay a financial contribution of c£7.65m (revised later to £6.68m based on a reduced number of properties being built and some contributions originally expected related to monitoring fees no longer considered allowable) to the Council to pay for community and social infrastructure, the need for which arises because of the new development.

On the 10th November 2011 Larkfleet applied to vary a condition of the planning application. The variation was relatively minor and was agreed. The application for a variation was determined under delegated powers by the Development and Control Manager (Acting), counter signed by a second planning officer under a new permission (effectively a new planning consent) and signed by the Head of Service. The permission was issued as APP/2011/0832 on 18th January 2012.

At this point the Officer should have instructed the Council's Legal advisors (in this instance Peterborough Legal) to have completed a new section 106 agreement or a deed of variation based on the original section 106 that would have ensured that the legal agreement applied to the new permission. The Officer failed to do this.

At this point the developer had therefore two planning permissions, one which was underpinned by a section 106 agreement (OUT/2009/1306) and one which was not (APP/2011/0832). If the developer chose to build under APP/2011/0832, then it could argue that the £7.4m contribution was no longer due to the Council.

When the Council initially billed Larkfleet for contributions in line with (OUT/2009/1306) some fees and a substantial invoice of £290k was paid. Following further development taking place and 'trigger points' occurring the Council continued to invoice Larkfleet. The invoice was not paid and the Council issued a reminder letter, which included the normal reference to potential legal action if the debt was not paid. At this point Larkfleet advised the Council in writing (24th April 2015) that in relation to the outstanding invoices totalling £976k, it no longer considered it was liable to make any payments as development was now taking place under (APP/2011/0832). The Council therefore paused to look into the matter.

The Council's response
The Council considered the comments from the developer, took its own external legal advice and investigated the circumstances around the planning applications. The Council's assessment was that a mistake had been made and, as set out above, contractually no payment was due from Larkfleet. In response to this, the Council took various steps:

1. **Negotiate a contribution from the developer -** The development has and will continue to place pressure on infrastructure – the very purpose of the contribution was to mitigate against the impact of the development. Residents will have purchased properties with expectations that will now have to be managed both by the Larkfleet and the Council. In order to minimise any loss for its residents, the Council and Larkfleet have agreed a settlement figure of £4.8m against the original figure of £6.68m.
2. **Investigate the circumstances to ensure there has been no misappropriation** –In order to satisfy itself that there has been no misappropriation or fraud and corruption involving council officers, the Council commissioned an independent external view from Baker Tilly. Baker Tilly have concluded that "Based on our enquiries conducted, inclusive of interviews with staff members, review of correspondence held within RCC and information available from 'open source' enquires conducted, we have not identified any matters which would give rise for concern, with no financial connections, personal or undeclared professional relationships between the development staff within RCC and the contractor organisations involved in this planning application process".

3. **Review other applications to assess whether this mistake is a one-off** - A thorough review has been undertaken of all planning permissions with Section 106 agreements attached to them and the Council has concluded that this mistake has not happened in any other instances.
4. **Assessed the financial impact** – The Council has assessed the financial impact and full details are set out in the Council Report. In brief, the Council has lost £1.88m (net of indexation) of potential S106 funding. The settlement figure from the Larkfleet will allow the Council to meet much of the development need but should the Council need to borrow or find additional funding this is achievable within the context of the Medium Term Financial Plan.
5. **Made procedural changes** – In order to mitigate the risk that this issue does not happen again there has been a comprehensive review of the way we process Section 73 applications and S106 agreements. The new arrangements have been in place for some time supported by training for planning officers. New planning applications are now reviewed by a dedicated S106 officer to identify any impact on existing S106 agreements and whether further action is required. It is not possible to say conclusively that mistakes will not be made but safeguards and checks are in place to mitigate against this situation arising again.

The Council is satisfied that it has taken all necessary action in response to this issue.

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