Rutland
County Council

Statement of Accounts

2018/19

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

Strategic Director for Resources
Rutland County Council
Catmose House
Oakham
Rutland
LE15 6HP
email: RCCFinance@rutland.gov.uk
Tel: 01572 722577
www.rutland.gov.uk

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Rutland County Council
Statement of Accounts 2018/19

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Narrative Report

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

I have prepared this Narrative Report to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2019. 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 Narrative Report is structured as follows:

1. An Introduction to Rutland County Council
2. Council Performance
3. Financial Performance
   a. Key Issues that have influenced the Financial Position for 2018/19
   b. Key Events affecting the Council in 2018/19 and a look ahead to future years
   c. Review of financial performance in 2018/19
4. Principal Risks and Uncertainty; and
5. 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 was named the third best authority in Britain in the annual Halifax Quality of Life Rankings Survey in April 2019.

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

The population of the county is 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 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 81.2% compared to the East Midlands average of 74.1%. The make-up of the county's population shapes the delivery of services by the Council, with the aims and objectives of the Council being set to meet to the needs of its residents.

The Council, as a Unitary Authority, provides all county council and district council services. The Council has 26 elected members representing the 16 wards of the county. The political make-up of the Council at the end of the financial year was 15 Conservative, 5 Independent, 4 non-aligned and 2 vacant posts.

The Council has adopted the Leader and Cabinet model. The Leader, Cllr Oliver Hemsley, was elected in January 2018 and appointed a new Deputy Leader Cllr Gordon Brown in July 2018. By the end of 2018/19 Cabinet comprised 6 Conservative members with responsibility for the following Portfolio areas:

1. Rutland One Public Estate & Growth, Tourism & Economic Development, Resources (other than Finance)

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2. Regulatory Services, Waste Management, Planning Policy and Operations, Property Services, Finance including Revenues & Benefits and Internal Audit
3. Culture and Leisure, Highways and Transportation and Communications
4. Regulatory Services, Waste Management, Property Services, Culture & Leisure, Finance including Revenues & Benefits and Internal Audit
5. Safeguarding – Children & Young People, Armed Forces Champion
6. Safeguarding – Adults, Public Health, Health Commissioning, Community Safety & Road Safety
7. Lifelong Learning, Early Years, Special Educational Needs & Disabilities.

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

1. Helen Briggs – Chief Executive
2. Mark Andrews – Strategic Director for People (Director for Adult and Children's Services)
3. Saverio Della Rocca – Strategic Director for Resources (s151 Officer)
4. Phil Horsfield – Deputy Director for Resources (Monitoring Officer)
5. Jon Morley – Deputy Director People (Adults)
6. Rob Harbour – Deputy Director Places
7. Vacant – Strategic Director for Places (Christine Traill due to start in April 2019)
8. Vacant – Deputy Director People (Children) – (Dawn Godfrey due to start in May 2019)

During the year, there have been various changes in SMT. Dr Tim O'Neill – the previous Director for People left in December 2018. Debbie Mogg – the previous Director for Resources left in September 2018. An interim Director for Places was in place until December 2018.

The Council has four Strategic Aims that are underpinned by the new Corporate Plan and Council Priority of ensuring that our medium term financial plan is in balance. The table below identifies the Strategic Aims which remain unchanged in the year.

Strategic Aim	Objectives
Sustainable growth Delivering sustainable growth in our County supported by appropriate – housing, employment, learning opportunities & supporting infrastructure (including other Public Services)	Sustainable growth of a population increase of between 1,680 and 2,160 by 2020 Work with Health colleagues to create a sustainable future for Rutland Memorial Hospital as the Health and Social Care Hub providing enhanced medical facilities and services for the Rutland Community Explore the right strategic partnerships to increase sustainability Develop Phase 2 of Oakham Enterprise Park to create further employment and business growth opportunities Continue to maintain our road network as cost effectively as possible Reduce on-going energy usage by making our street lighting as efficient as possible Continue to explore Localism and the opportunities for devolving services to our Parish and Town Councils Support the promotion of Rutland as a place to visit to strengthen the local economy and the impact of the Tourism sector Ensure our Market Towns are vibrant and attractive to both residents and visitor Complete the improvement of roll out of broadband, developing and implementing a strategy for 2020 connectivity for the County
Safeguarding Safeguard the most vulnerable and support	Ensure that our procedures and practices support out duty to effectively safeguard vulnerable adults, children and young people

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Strategic Aim	Objectives
the health & well-being needs of our community	Decreasing the impact of smoking, obesity and alcohol consumption on the health and well-being of our community Continuing to support the development of a vibrant Voluntary, Community and Faith Sector to support our communities through strategic commissioning Demonstrate improved road safety by reducing the number of people injured on our roads Make people feel safer by continuing to ensure low levels of crime and anti-social behaviour
Reaching our Full Potential Plan and support future population and economic growth in Rutland to allow our businesses, individuals, families and communities to reach their full potential	Supporting expanded provision in Primary Care Ensuring there are adequate school places supported by appropriate transport Improving performance across all Rutland Schools Narrowing the performance gaps for Looked After Children, Children with Special Educational Needs and between boys and girls Raising skills levels throughout the adult population Continuing to reducing crime and anti-social behaviour Support our communities to access cultural, recreational and volunteering opportunities
Sound Financial and Workforce Planning Ensure that our medium term financial plan is in balance and is based on delivering the best possible value for the Rutland pound	A balanced MTFP Undertaking, over the life of the Council, a Zero Based Budget review of all expenditure and income Review the Council's property portfolio to ensure we are making best use of our assets – this will include our Libraries, Rutland County Museum, Catmose and all other properties Maximise collection and recovery rates Drive efficiencies in back office support through improved use of technology To transform customer access to services through the provision of multi-channel services To be an 'employer of choice' through the delivery of our workforce development strategy To support and develop our workforce

2. Council Performance

The Council regularly produces reports to Cabinet on performance against the Council's strategic aims and the Corporate and Council Priority of Delivering Council Services within our Medium Term Financial Plan.

The latest report can be found on the link below:

https://rutlandcounty.moderngov.co.uk/documents/s14032/Report%20No%20235-2018%20Mid%20Year%20Performance%20Update%202018-19%20Appendix%20A.pdf

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3. Financial Performance

a) Key Issues that have influenced the Financial Position for 2018/19

The local government finance settlement included a 4-year funding settlement offer to local authorities. The settlement offered a significant reduction in Government funding over the next four years on the assumption that Rutland, like other local authorities, could raise council tax to mitigate the loss of Government funding.

Key features of the 2018/19 financial position were as follows:

- The available funding resources to the Council were £35.198m (excluding reserves) compared to £33.730m in 17/18. This included a 4.99% increase in Council tax.
- Of the funding available, only £10.4m came from Government compared to £10.95m in 17/18 and £12.1m in 16/17. This represented a loss of £0.55m from 17/18 and £1.7m over two years;
- The net cost of services was £35.844m, represented a 2.01% increase over 17/18;
- The budget included c£1m of new service pressures of which £522k related to children's care services;
- The 18/19 budget included pay and other inflation of £941k (including a pay award costing 2.64%);
- The 18/19 budget included a contingency of £185k to meet in-year adult social care pressures if needed;
- The budget included savings of nearly £1.3m arising from policy and other changes made by Council (£806k of revenue savings alongside capital financing savings of £237k and removal of council tax empty homes discounts £240k); and
- The Council used £15k from its General Fund to balance its budget and transferred £121k to earmarked reserves.

The Medium Term Financial Plan (MTFP) for 2018/19 to 2022/23 was approved by Full Council in February 2018. Over the period it assumed a continuation of the existing services with allowances for service pressures, inflation and planned savings for 2018/19 and beyond all built in. As the funding position was set out in the 4-year offer, the Council was also able to build in funding figures up to 19/20 with some certainty. Beyond that the Council assumed that funding would reduce further.

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 remained sound but showed an increasingly challenging position with the Council forecasting to spend more than the resources available in the later years of the plan. At that time the financial gap was projected to be £1.5m in 2020/21.

The Council has a rolling capital programme with new schemes added in 2018/19 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 (TMS) 2018/19 and a new Capital Investment Strategy (CIS) were approved by Full Council in February 2018. The Strategies were developed to comply with the new version of the Prudential Code for Capital Finance in Local Authorities, the Treasury Management: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) and Minimum Revenue Provision - Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

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

Material transactions to be noted for the year 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 £37.1 million to £44.8m in the year to 31 March 2019. 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 £5.8 million during the year, at the same time liabilities have increased by £13.6 million.

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

b) Key Events affecting the Council in 2018/19 and a look ahead to future years

In April 2018, Centrebus made a commercial decision to cease operating the RF1 service from June 2018 following Northamptonshire's decision to cancel 100% of its local bus subsidies. Cabinet made the decision in May to continue supporting the service as it looked to tender for a new operator.

In May and June 2018, following initial assessments of the 300-hectare St George's Barracks site and early discussions with local communities and interest groups, the Council and MOD undertook consultation on a high-level plan inviting public feedback on the very first proposals for its redevelopment.

In May, Rutland Adult Learning and Skills Service (RALSS) was once again been rated 'Good' by Ofsted following an intensive two-day inspection carried out in April.

In June, the Council responded to an announcement made by Leicestershire County Council regarding proposals for a single unitary authority for Leicestershire. The Council confirmed that it was unaffected by this proposal but would monitor its evolution with interest.

In July, the Council celebrated that it was one of only five local authorities in the country to have all of its 22 state-funded schools rated as either 'good' or 'outstanding' by Ofsted. Additionally, all of Rutland's Early Years providers who have been inspected are also judged good or better.

Following the initial consultation on the future of St George's Barracks, the Council published all the replies to the consultation, with a total of 624 official responses captured through 10 public events, an exhibition, an online survey and printed questionnaires. A number of key themes emerged including the size and scale of the development, the importance of infrastructure, employment and job creation, local transport provision and environmental considerations.

Following discussions led by MP for Rutland and Melton Sir Alan Duncan between the MOD, Rutland County Council and Parish Councils, an Advisory Group was established to serve as a voice of the community throughout the redevelopment.

In August, the Council launched public consultation on specific aspects of Rutland's latest Draft Local Plan including focussed changes to the Local Plan resulting from the development potential of St George's Barracks and additional Sites put forward for development since the Consultation Draft Local Plan 2017.

The Council published its annual report for 2017-2018, setting out its performance across key services over the past 12 months in August 2018. This was the first time that Rutland's annual report has been

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published in this way and is part of the Council's commitment to show how it's serving local communities.

In September work continued on draft plans for the redevelopment of St George's Barracks following public feedback. The MOD and Council published a list of recommendations that will be used to help shape the evolving Masterplan for St George's.

In October the Department of Health and Social Care (DHSC) published national ranking that showed that Rutland is number one in the country when it comes to providing integrated health and social care services for residents. The rankings looked at emergency admissions to hospital, length of stay and whether people are delayed when ready to be discharged home. Each local authority is assessed on their performance in six individual areas then given an overall ranking. Rutland is currently first out of 152 local authorities in the National Average Weighted Ranks.

Consultation on the Local Transport Plan began in October through to January. Over the year, the Council developed an updated strategy to support the delivery of local transport services up to the year 2036.

Rutland's most recent crop of GCSE students sat their exams this summer and received confirmation of their grades in August. Now, provisional GCSE results in England for 2017/18 show that the County's secondary pupils outperformed both national and regional average scores for Attainment 8, Progress 8, English and mathematics and the English Baccalaureate (EBacc). According to provisional figures released by the Department for Education this month, Rutland is 8th in the country for Progress 8 success and 12th for Attainment 8.

In November, the Council announced reduced housing numbers for the possible future redevelopment of St George's Barracks as plans for the site continue to evolve. Based on feedback received through the consultation, a series of 40 recommendations for the redevelopment of St George's were published in September and included a commitment to reduce housing numbers from between 1,500-3,500 (first put forward in spring 2018) to somewhere between 1,500-2,700. This figure was revised further and an updated plan for site produced with provisions for 2,215 homes – a reduction of more than a third from the upper limit originally put forward for discussion – along with business zones and 60% green space.

In November, the DfT announced that Rutland will receive £845,000 as part of the funding allocation – money that will help to pay for surface dressing, footway repairs, carriageway patching and resurfacing.

The Council reached an agreement to put additional bus services in place between Oakham and Stamford to support people living and working in the east of the county. The Council worked closely with CallConnect to secure a scheduled service, covering some of the gaps left by the reduced Service 9, serving Stamford, Whitwell, Empingham, Great Casterton and Oakham.

In November an audit by the Children's Commissioner's new Stability Index concluded that the Council was providing above average care for local children and young people looked after. The results of the audit show that Rutland is performing better than national and regional averages for almost all key measurements and follow changes made by the Council's Children's Social Care department to working practices and recruitment.

The REACH team was inspected in December by the Care Quality Commission (CQC) and rated as being 'Good' in all areas. REACH (Rutland Enablement, Assessment, Crisis Response and Hospital discharge) supports elderly and disabled people in their own homes – helping them to regain their health and confidence after a serious illness or injury. The CQC reviewed Rutland's REACH and reablement service in December 2018 to make sure it is meeting the required standards and providing a good level of care.

Having completed its assessment, the CQC published a full report in March which rates REACH as 'Good' in all areas.

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In December, a detailed report containing proposals developed by the Task and Finish Town Centre Group was endorsed by Rutland County Council's Growth, Infrastructure and Resources Scrutiny Panel in November and presented to Full Council in December 2018. In line with the recommendations put forward by Council officers, Full Council agreed to the creation of a new Partnership Board that will take the Town's work forward to the delivery phase. Initial funding of £2,000 was also approved to help establish the Partnership Board.

In December Cabinet approved the latest version of the Evolving Masterplan for St George's Barracks, together with the business case for a supporting bid to the national Housing Infrastructure Fund (HIF). The HIF business case included a bid for up to £30m of funding to be spent on infrastructure. The business case was then narrowly approved by Council in January 2019.

The Council's Medium Term Financial Plan (MTFP) and budget 2019/20 were approved in February 2019 by Full Council following consultation. The key message in relation to the MTFP was that the national economic position remains extremely challenging. The Council did receive some positive news in that anticipated reductions in funding were less than expected but this does not change the overall position.

The Council's medium term position remains financially challenging with a need to reduce net costs by over £1.5m. There are still lots of unknowns and uncertainty in respect of the impact of demographic changes, social care cost pressures, future of local government funding with the Fair Funding and Business Rates retention work ongoing and Brexit. The Council's view is that additional core government funding is unlikely but this will not be known until the Spending Review is completed by the Government later in 2019. The challenge is becoming increasingly difficult given the level of savings already delivered, the number of low cost services already provided and the continued demand for social care.

March was a busy time for inspection work. OFSTED made an unannounced visit to Childrens Services. The opinion from the visit is now awaited. At the same time, an inspector from JCQ (Joint Council for Qualifications) attended the Rutland Adult Learning and Skills Service (RALSS), to review our Access Arrangements. This inspection was an unscheduled "spot check" and after reviewing our processes and arrangements concluded that our procedures were excellent and fit for purpose.

c) Review of Financial Performance in 2018/19

In February 2018 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.

A brief summary of activity for the year is given below and full details are in the main body of the Statement of Accounts.

The end of year provisional revenue position is that the Council has under spent its revenue budget by £74k which equates to an under spend of 0.2% when compared to the Net Operating Expenditure.

The overall position can be summarised as follows:

- The Council is reporting an under spend of £74k after setting aside Directorate under spends in relation to: a) ring fenced budgets; b) demand led budgets; or c) commitments made but not yet fulfilled. In each of these cases under spent budgets are placed into earmarked reserves and are carried forward for future use.

- Notwithstanding the above comment, the Directorate budgets do include genuine underspends arising from a) savings from vacant posts and delays in recruiting staff pending reviews or further work; b) additional grant income received e.g. in respect of the One Public Estate programme; c) other cost control measures.

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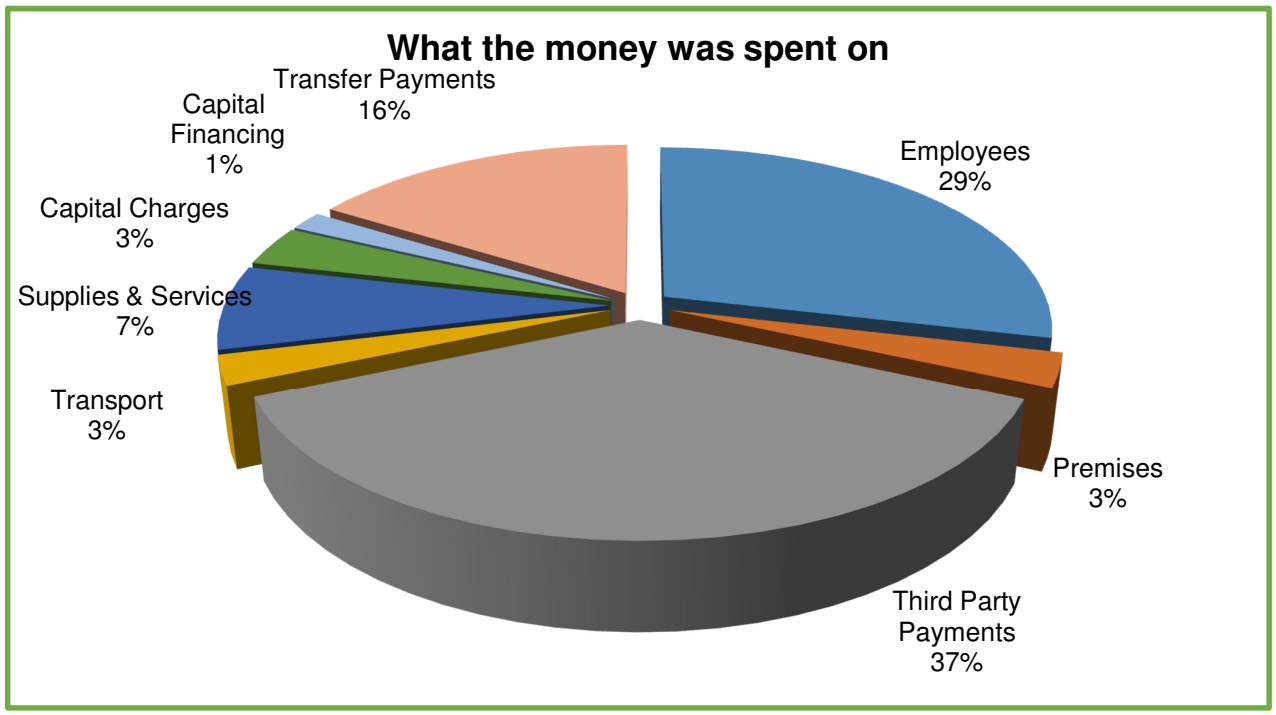
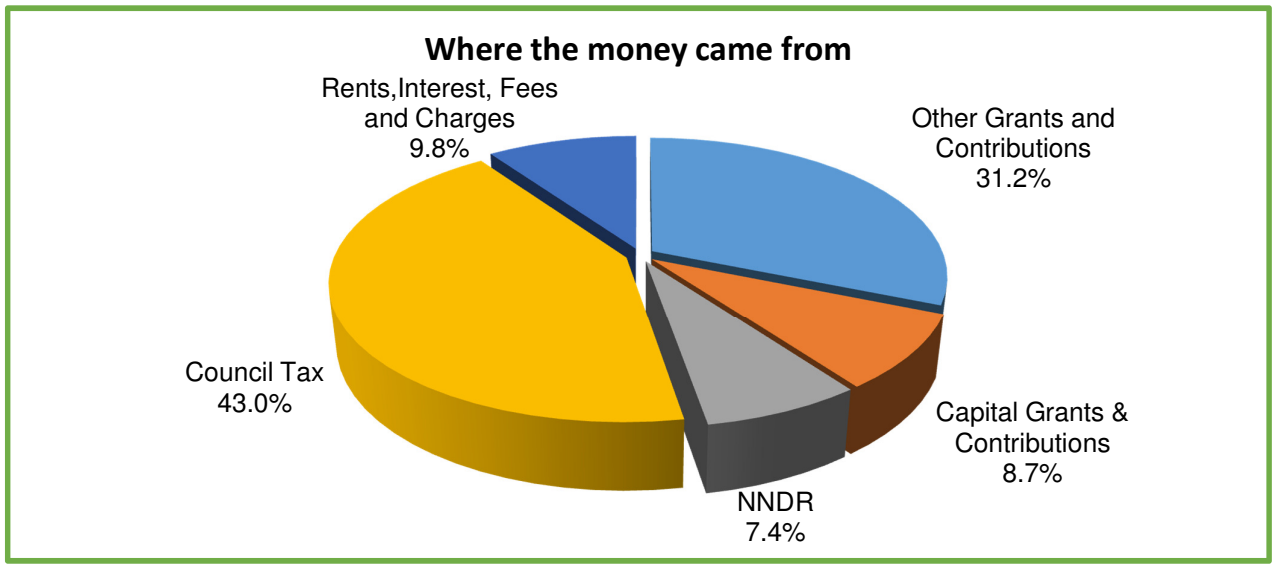
- Despite the overall under spend, there are some areas where there are overspends – there have been significant pressures in waste management, commercial properties and planning income.

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





General Fund Revenue Account

The following table summarises the position for the General Fund for 2018/19. The Council is reporting a year end deficit of £15k. This represents an underspend of £74k on its budgeted deficit of £89k. In the context of an MTFP which shows reducing funding levels (Report 44/2019), the overall outcome is reasonably positive because in reporting an overall overspend, the Council is setting aside some service underspends into earmarked reserves to meet future pressures. Without these transfers, the Council would be underspent against its budget. The revenue position at 31 March 2019 is shown below:

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General Fund	Revised Budget £000	Outturn £000	Variance £000
Net cost of Services	38,119	35,844	(2,275)
Other Operating costs	(807)	(906)	(99)
Net Operating Expenditure	**37,312**	**34,938**	**(2,374)**
Financing	(37,223)	(34,923)	2,300
(Surplus)/Deficit for year	**89**	**15**	**(74)**

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 £4.479m, compared to the approved capital project budget of £31.803m (i.e. 14% of the approved programme was actually spent) with £0.161m declared as an overspend due to a new pilot within the Disabled Facilities Grant project and additional highways costs capitalised at the year end.

Expenditure was funded from external grants and contributions (£3.931m), Capital Receipts (£0.158m), Developer Contributions (£0.236m) and the remainder from RCCO (£0.154m).

Capital Programme – Approved Projects	Total Project Budget £000	Prior Year Actuals £000	Outturn 2018/19 £000	Future Year Outturn £000	Estimated Outturn £000	Total Project Variance £000
Commercialisation	13,300	6	266	13,029	13,301	1
Asset Management Requirements	9,967	525	3,246	6,242	10,013	45
Strategic Aims and Priorities	8,536	4,412	967	3,272	8,651	115
Total	**31,803**	**4,943**	**4,479**	**22,543**	**31,965**	**161**

4. Principal Risks and Uncertainty

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process was re-presented to the audit and risk committee in January 2019, and satisfied all assurance requirements. Below are our top risks from the Council's comprehensive risk register. Key corporate risks are detailed in the Annual Governance Statement appended to these accounts.

Risk	Impact	Controls
There is a risk that the Council cannot meets its statutory requirement to produce a robust and balanced budget now or in the medium term	Breach of statutory requirement Drastic action needed to rectify the position (e.g. cuts) Erosion of reserves below recommended levels	Lobbying of Government (done individually and with the Local Government Association/SPARSE). Key savings programmes monitored by Directorate team, SMT and through quarterly monitoring. Savings programmes in place and under constant review.

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Risk	Impact	Controls
		Maintenance of a 5 year medium term financial plan (MTFP) with funding and other risks detailed in Budget and Quarterly reports. Risks quantified as far as possible and built into MTFP, e.g. Contracts. Overall financial context discussed and shared with SMT/Cabinet formally and informally including sensitivity analysis over key variables. Economic development plan in place and key growth project (Oakham Enterprise Park). Investment strategy approved
Failure to deliver key services should a significant business interruption occur, including supplier failure	Breach of standard duty Failure to deliver key services Reputational damage	A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required. A Major Incident Plan has been prepared which defines a structure to: Confirm the nature and extent of any incident; Take control of the situation; Contain the situation; and Communicate with shareholders Specific recovery plans are in place for the 5 key threats: Loss of key staff; Loss of telephone system; Loss of buildings; Loss of ICT; and Loss of utilities 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.

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Risk	Impact	Controls
		Contract procedure rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately. Business Continuity arrangements audited by Internal Audit
Failure to secure delivery of change required within Health and Social Care	Ineffective service delivery and on-going cost pressure and impact on MFTP	Risk highlighted and an allowance made without our MTFP Playing a key role in the LLR STP Project Working directly with ELR-CCG to achieve improved care pathways Focussing on early intervention and prevention ASC strategy in place and being implemented New commissioning framework being developed BCF embedded and outcomes are positive
Long term failure to achieve educational attainment	Potential external intervention Reputation damage	Monitoring by officers. Education Performance Board to review schools. Increased scrutiny and intervention in schools causing concern. Regular liaison with Department for Education and Ofsted. Effective Early Help support.
Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.	Intensive scrutiny by public and press Potential external intervention Potential loss of frontline staff	Processes and procedures in place to protect the most vulnerable. Scrutiny and overview from the Safeguarding Boards.

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Risk	Impact	Controls
	Potentially high legal costs Reputation damage Requirement to undertake and publish a serious case review	Monthly performance and financial monitoring by senior officers and update reports to Cabinet. High quality, timely information contained within case files. High quality, timely management oversight by DASM. Ensuring we have sufficient expert and competent staff. Case auditing to identify any shortfalls in practice and to identify where further action is required. Development of clear practice standards so staff know what is expected of them. Management oversight recorded on file alongside regular supervision. Effective training of staff.
Failure to Safeguard (Children) and a child is significantly abused, badly hurt or dies.	Intensive scrutiny by public and press Potential external intervention Potential loss of frontline staff Potentially high legal costs Reputation damage Requirement to undertake and publish a serious case review	Processes and procedures in place to protect the most vulnerable. Scrutiny and overview from the Safeguarding boards. Monthly performance and financial monitoring by senior officers and update reports to Cabinet. High quality, timely information contained within case files. High quality, timely management oversight. Revised supervision process to ensure early information. Ensuring we have sufficient competent staff to safeguard children and there is no unallocated work.

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Risk	Impact	Controls
		Case auditing to identify any shortfalls in practice and to identify where further action is required to keep children safe. Development of clear practice standards so staff know what is expected of them. Case tracker to ensure visits are being undertaken. Management oversight recorded on file. Effective staff training. Strict application of the panel process.

5. Further Information

Further information about these accounts is available from:

Mr Saverio Della Rocca Strategic Director for Resources (Chief Financial Officer) Rutland County Council Oakham Rutland LE15 6HP sdellarocca@rutland.gov.uk	Mr Andrew Merry Finance Manager 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

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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

Councillor G Waller
Chair of the Audit and Risk Committee
23rd July 2019

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 16 to 78 presents a true and fair view of the financial position of the Council at 31st March 2019 and its income and expenditure for the year ended 31 March 2019

Mr S Della Rocca
Strategic Director for Resources (Chief Financial Officer)
23rd July 2019

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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.

	2017/18					2018/19	
Gross Expenditure	***Gross Income***	***Net Expenditure***	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	*£000*	*£000*			**£000**	**£000**	**£000**
34,306	(16,307)	*17,999*	People		35,267	(16,557)	***18,710***
17,146	(3,811)	*13,335*	Places		16,406	(4,340)	***12,066***
11,827	(6,114)	*5,713*	Resources		11,707	(5,467)	***6,240***
63,279	***(26,232)***	***37,047***	**Cost of Services**		***63,380***	***(26,364)***	***37,016***
1,736	(37)	*1,699*	Other Operating Expenditure	9	5,961	(119)	5,842
2,083	(234)	*1,849*	Financing & Investment Income & Expenditure	10	2,790	(312)	2,478
85	(39,976)	*(39,891)*	Taxation & Non-Specific Grant Income	11	169	(41,633)	(41,464)
67,183	***(66,479)***	***704***	**(Surplus) / Deficit on Provision of Services**		***72,300***	***(68,428)***	**3,872**
		(423)	Surplus on Revaluation of property, plant and equipment				(2,347)
		(3,216)	Re-measurements of the net defined benefit liability				6,935
		(3,639)	**Other Comprehensive Income & Expenditure**				***4,588***
		(2,935)	**Total Comprehensive Income & Expenditure**				***8,460***

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 16. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 13.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance 1 April 2017	***9,635***	***10,306***	***1,518***	***5,345***	***26,804***	***10,768***	***37,572***
Surplus / (Deficit) on Provision of Services	*(704)*	-	-	-	***(704)***	-	***(704)***
Other Comprehensive Income & Expenditure	-	-	-	-	-	*3,639*	***3,639***
Total Comprehensive Income & Expenditure	***(704)***	**-**	**-**	-	***(704)***	***3,639***	***2,935***
Adjustments between accounting basis and funding basis under regulations (Note 13)	*244*	*762*	*(171)*	*941*	*1,776*	*(1,776)*	**-**
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	*(460)*	*762*	*(171)*	*941*	***1,072***	*1,863*	***2,935***
Transfers to / (from) Reserves	*(196)*	*196*	-	-	**-**	-	**-**
Increase/(Decrease) in 2017/18	***(656)***	***958***	***(171)***	***941***	***1,072***	***1,863***	***2,935***
Balance 31 March 2018	***8,979***	***11,264***	***1,347***	***6,286***	***27,876***	***12,631***	***40,507***
Balance 1 April 2018	**8,979**	**11,264**	**1,347**	**6,286**	**27,876**	**12,631**	**40,507**
Surplus / (Deficit) on Provision of Services	(3,872)	-	-	-	**(3,872)**	-	**(3,872)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	(4,588)	**(4,588)**
Total Comprehensive Income & Expenditure	**(3,872)**	**-**	**-**	**-**	**(3,872)**	**(4,588)**	**(8,460)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	3,918	1,250	95	321	5,584	(5,584)	**-**
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	46	1,250	95	321	**1,712**	(10,172)	**(8,460)**
Transfers to / (from) Reserves	(61)	61	-	-	**-**	-	**-**
Increase/(Decrease) in 2018/19	**(15)**	**1,311**	**95**	**321**	**1,712**	**(10,172)**	**(8,460)**
Balance 31 March 2019	**8,964**	**12,575**	**1,442**	**6,607**	**29,588**	**2,459**	**32,047**

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

31 March 2018 £000	**Balance Sheet**	**Notes**	**31 March 2019 £000**
70,909	Property, Plant & Equipment	17	69,694
562	Intangible Assets	23	496
209	Long Term Debtors	22	189
71,680	**Long Term Assets**		***70,379***
77	Inventories *(Salt Stocks)*		108
22,087	Short Term Investments	15	30,124
4,384	Short Term Debtors	22	4,812
8,506	Cash & Cash Equivalents	29	3,649
35,054	**Current Assets**		***38,693***
(6,282)	Short Term Creditors	24	(6,882)
(518)	Provisions	25	(798)
(6,800)	**Current Liabilities**		***(7,680)***
(22,319)	Long Term Borrowing	15	(22,250)
(37,109)	Other Long Term Liabilities	31	(47,095)
(59,428)	**Long Term Liabilities**		**(69,345)**
40,506	**Net Assets**		***32,047***
(27,876)	Usable Reserves	13	(29,586)
(12,630)	Unusable Reserves	13	(2,459)
(40,506)	**Total Reserves**		**(32,045)**

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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 2018 £000	Cash Flow Statement	Notes	31 March 2019 £000
704	Net (Surplus)/Deficit on the Provision of Services		3,872
(7,514)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	26	(10,340)
4,883	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	5,263
(1,927)	**Net Cash Flow from Operating Activities**		**(1,205)**
(5,647)	Investing Activities	27	6,408
483	Financing Activities	28	(348)
(7,091)	**Net (increase) or decrease in cash and cash equivalents**		**4,855**
(1,413)	Cash and cash equivalents at the beginning of the reporting period	29	(8,504)
(8,504)	**Cash and cash equivalents at the end of the reporting period**	29	**(3,649)**

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Notes to the Accounts

1. Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund	*2017/18 Adjustments between Funding Basis and Accounting Basis*	*Net Expenditure in the CIES*	**Expenditure and Funding Analysis**	**Net Expenditure Chargeable to the General Fund**	**2018/19 Adjustments between Funding basis and Accounting Basis**	**Net Expenditure in the CIES**
£000	*£000*	*£000*		**£000**	**£000**	**£000**
17,042	*957*	*17,999*	People	17,667	1,043	18,710
12,200	*1,135*	*13,335*	Places	12,166	(100)	12,066
5,397	*316*	*5,713*	Resources	6,011	229	6,240
34,639	***2,408***	***37,047***	**Cost of Services**	**35,844**	**1,172**	**37,016**
500	*1,199*	*1,699*	Other Operating Expenditure	-	5,842	5,842
1,698	*151*	*1,849*	Financing & Investment Income & Expenditure	1,332	1,146	2,478
(36,181)	*(3,710)*	*(39,891)*	Taxation & Non-Specific Grant Income	(37,161)	(4,303)	(41,464)
656	***48***	***704***	**(Surplus) / Deficit on Provision of Services**	**15**	**3,857**	**3,872**
(9,635)			Opening General Fund Balance	(8,979)		
656			(Surplus) / Deficit on Provision of Services	15		
(8,979)			**Closing General Fund Balance**	**(8,964)**		

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2017/18					2018/19			
Adjustments for Capital Purposes £000	***Net Change for Pension Adjustments £000***	***Other Differences £000***	***Total Adjustments £000***	**Adjustments from General to arrive at the CIES Amounts**	**Adjustments for Capital Purposes £000**	**Net Change for Pension Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
91	*824*	*42*	*957*	People	359	686	(2)	1,043
219	*407*	*509*	*1135*	Places	(413)	321	(8)	(100)
105	*293*	*(82)*	*316*	Resources	(11)	302	(62)	229
415	***1,524***	***469***	***2,408***	**Cost of Services**	***(65)***	***1,309***	***(72)***	***1,172***
941	*-*	*258*	*1199*	Other Operating Expenditure	5,037	-	805	5,842
(898)	*1,034*	*15*	*151*	Financing & Investment Income & Expenditure	(613)	1,742	17	1,146
(5,336)	*-*	*1,626*	*(3,710)*	Taxation & Non-Specific Grant Income	(5,416)	-	1,113	(4,303)
(4,878)	***2,558***	***2,368***	***48***	**(Surplus) / Deficit on Provision of Services**	**(1,057)**	**3,051**	**1,863**	**3,857**

i. Adjustments for Capital Purposes Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services.

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Finance and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP); and
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

ii. Net Change for Pension Adjustments The removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows.

- For the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs; and
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES)

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iii. Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under the Code of Practice. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2017/18	**Expenditure / Income Analysed by Type**	**2018/19**
£000		**£000**
	Expenditure	
14,735	Employee Benefits	16,850
46,009	Other Service Expenditure	44,542
2,733	Capital Charges	8,108
2,051	Interest Payments	2,068
677	Precepts and Levies	732
941	Gain on the Disposal of Assets	(32)
67,146	**Total Expenditure**	***72,268***
	Income	
(7,296)	Fee, Charges and other Service Income	(7,576)
(232)	Interest & Investment Income	(312)
(28,340)	Income from Council Tax and Business Rates	(36,629)
(30,574)	Government Grants & Contributions	(23,879)
(66,442)	**Total Income**	**(68,396)**
704	**Total**	**3,872**

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2. Members Allowances

The following amounts were paid to members of the Council.

2017/18 £000	Members Allowances	2018/19 £000
96	Basic allowances	95
72	Special responsibility allowances	72
5	Expenses	14
173	**Members allowances**	***181***

3. Related Parties

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

Central Government

Central Government has effective influence over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties, e.g. council tax bills and housing benefits. Grants received from Government departments are set out in the subjective analysis in Note 1 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2019 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 2018/19 is shown in Note 2. During 2018/19, 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 and can be viewed on the Councils Website.

Officers of the Council

Officers who have any influence over the authority's financial operations are required to make an annual declaration of any material transactions they or their immediate family have with the authority. There are no transactions in 2018/19 that are considered material and would require their disclosure.

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4. Officers Remuneration

The following table shows the remuneration paid to the Council's senior employees.

Officers Remuneration	Year	Salary	Agency / Recharge	Expense Allowance	Pension Cont	Total
Chief Executive	**2018/19**	**128,502**	**-**	**350**	**29,170**	**158,022**
	2017/18	*124,198*		*413*	*26,951*	*151,562*
Strategic Director of Peoples and Deputy Chief Executive (1)	**2018/19**	**79,716**	**-**	**34**	**18,095**	**97,845**
	2017/18	*102,010*	*-*	*654*	*22,136*	*124,800*
Strategic Director of Peoples (2)	**2018/19**	**86,734**	**-**	**-**	**19,689**	**106,423**
	2017/18	*-*	*-*	*-*	*-*	*-*
Director of Places (Development & Economy) (3)	**2018/19**	**-**	**66,484**	**-**	**-**	**66,484**
	2017/18	*48,822*	*-*	*-*	*8,135*	*56,957*
Director of Places (Environment, Planning & Transport)(4)	**2018/19**	**61,688**	**-**	**-**	**1,867**	**63,555**
	2017/18	*74,977*	*-*	*-*	*16,270*	*91,247*
Director for Resources (5)	**2018/19**	**87,728**	**-**	**310**	**19,914**	**107,952**
	2017/18	*88,643*	*-*	*721*	*19,236*	*108,600*
Assistant Director (Finance) (5)	**2018/19**	**23,100**	**-**	**689**	**5,244**	**29,033**
	2017/18	*74,977*	*-*	*75*	*16,270*	*91,322*
Deputy Director of Resources (6)	**2018/19**	**50,487**	**-**	**12**	**11,461**	**61,960**
	2017/18	*-*	*-*	*-*	*-*	*-*
Director of Public Health (7)	**2018/19**	**-**	**35,485**	**-**	**-**	**35,485**
	2017/18	*-*	*34,747*	*-*	*-*	*34,747*
Total	**2018/19**	**517,955**	**101,969**	**1,395**	**105,440**	**726,759**
	2017/18	*513,627*	*34,747*	*1,863*	*108,998*	*659,235*

1. Strategic Director of Peoples and Deputy Chief Executive resigned during 2018/19
2. Deputy Director of Peoples took on the Director Adult Social Services (DASS) statutory role during 2018/19 and was appointed Strategic Director of Peoples from January 2019.
3. Post vacant for part of 2017/18. The Director of Places was shared with South Kesteven District Council in 2018/19. Rutland County Council is recharged a proportion of the salary costs.
4. Post vacant for part of 2018/19. Salary includes compensation for loss of office
5. Director for Resources resigned during 2018/19. The S151 Officer role was migrated to the Director for Resources role when the Assistant Director was appointed as the Director for Resources.
6. The Monitoring Officer role formed part of the Director for Resources remit. After the Directors resignation in 2018/19 this role was designated to the Deputy Director of Resources
7. The Director of Public Health is shared with Leicestershire County Council. Rutland County Council is recharged a proportion of the salary costs.

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

2017/18 Number of Employees	Remuneration Bands	2018/19 Number of Employees
6	£50,000 - £54,999	6
3	£55,000 - £59,999	4
2	£60,000 - £64,999	3
2	£65,000 - £69,999	2
3	£70,000 - £74,999	2

5. Termination Benefits

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band ((b)+(c))		(e) Total cost of exit packages in each band	
£	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
0 – 20,000	-	5	3	1	3	6	25,435	33,767
20,001 – 40,000	-	-	1	1	1	1	22,030	29,345
40,001 – 60,000	1	-	-	-	1	-	42,152	-
Total cost included in the bandings and in the CIES							**89,617**	**63,112**

The total cost of £63,112 in the table above has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

6. External Audit Costs

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

2017/18 £000	External Audit Costs	2018/19 £000
65	Fees payable with regard to external audit services carried out by the appointed auditor for the year	52
5	Fees payable for the certification of grant claims and returns for the year	7
4	Fees payable in respect of other services provided by the appointed auditor during the year	4
74	**Total**	**63**

7. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2018/19 and for the previous financial year, 2017/18 follows:

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Schools Budget Funded by Dedicated Schools Grant	Central Expenditure	Individual School Budget (ISB)	Total
	£000	£000	£000
Final DSG for 2018/19 before Academy Recoupment			(28,949)
Academy Figure Recouped for 2018/19			20,121
Total DSG after Academy recoupment for 2018/19			(8,828)
Brought Forward from 2017/18			175
Agreed initial budgeted distribution in 2018/19	(3,517)	(5,136)	(8,653)
In year Adjustments	-	(1)	(1)
Final budgeted distribution 2018/19	**(3,517)**	**(5,137)**	**(8,654)**
Less actual central expenditure	3,002	-	**3,002**
Less actual ISB deployed to schools	-	5,763	**5,763**
Plus Local Authority contribution for 2018/19	-	-	-
Carry forward to 2019/20	**(515)**	**626**	**111**

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 2017/18 before Academy Recoupment			*(28,058)*
Academy Figure Recouped for 2017/18			*19,190*
Total DSG after Academy recoupment for 2017/18			*(8,868)*
Brought Forward from 2017/18			*187*
Agreed initial budgeted distribution in 2017/18	*(3,299)*	*(5,271)*	*(8,681)*
In year Adjustments			*111*
Final budgeted distribution 2017/18	***(3,299)***	***(5,271)***	***(8,570)***
Less actual central expenditure	*2,930*	-	*2,930*
Less actual ISB deployed to schools	-	*5,815*	*5,815*
Plus Local Authority contribution for 2017/18	-	-	-
Carry forward to 2018/19	***(369)***	***544***	***175***

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 2018/19 was £5.062 million (£4.725 million 2017/18) of which Rutland County Council contributed £0.08 million (£0.08 million 2017/18). Total expenditure from the pool was £5.062 million (£4.725 million 2017/18).

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Better Care Fund (BCF) – Pooled Budget

From the 1 April 2018 the Council entered into a £2.981m pooled budget arrangement (section 75 agreement) 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 agreed a Better Care Fund plan; this has been fully approved by NHS England.

The contributions from the Council are shown in the Peoples Directorate line in the comprehensive Income and Expenditure statement.

The Council is holding £557k (£296k 2017/18) in a BCF earmarked reserve which will be spend on BCF projects in future years

2017/18	**Better Care Fund**	**2018/19**
£000		**£000**
	Funding Provided to the Pool	
2,375	East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG)	2,138
543	Rutland County Council	415
-	Use of Reserves	428
2,918	**Total Funding**	**2,981**
	Expenditure For BCF Purposes	
242	Unified Prevention Offer	291
1,119	Holistic Management of Health and Wellbeing in the Community	1,249
994	Hospital Flows	1,047
134	Enablers	90
2,489	**Total Expenditure for BCF Purposes**	**2,677**
	Expenditure Repayment of Funds (In-line with Section 75 Agreement)	
268	ELRCCG	-
268	**Total Expenditure Repayment of Funds (In-line with Section 75 Agreement)**	-
161	**Surplus/ (Deficit) on Fund**	**304**
	Share of Surplus / (Deficit)	
83	ELRCCG	36
78	RCC	268
161	**Surplus/ (Deficit) on Fund**	**304**

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

Mr S Della Rocca
Strategic Director - Resources (CFO)

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9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2017/18 £000	Other Operating Expenditure	2018/19 £000
677	Parish Council Precepts	732
81	External Levies	73
941	Net (Gains)/Losses on Disposal of Non-Current Assets	5,037
1,699	**Total**	**5,842**

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

2017/18 £000	Financing & Investment Income & Expenditure	2018/19 £000
1,049	Interest payable & similar charges	1,049
1,002	Net interest on the net defined benefit liability (asset)	1,029
33	Past Service Cost (Including Curtailments)	712
(235)	Interest receivable and similar income	(312)
1,849	**Total**	**2,478**

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

2017/18 £000	Taxation & Non-Specific Grant Income	2018/19 £000
23,837	Council Tax income	25,705
4,503	Retained business rates income	4,408
28,340	**Total Taxation Income**	**30,113**
	Non-specific grants	
889	Revenue Support Grant	-
299	Small Business Rate Relief (Section 31)	802
25	Education Services Grant	-
1,224	New Homes Bonus	1,231
2,101	Better Care Fund	2,365
681	Rural Delivery Grant	850
28	Special Educational Needs	-
280	Transition Grant	-
688	Other	1,001
6,215	**Total Non-Specific Grants**	**6,249**
950	Section 106 Contributions	983
551	Hawkesmead Infrastructure Agreement	546
3,835	Capital Receipts, Grants & Contributions	3,574
5,336	**Total Other Income**	**5,103**
39,891	**Total**	**41,464**

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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 2018/19 :

2017/18 £000	Credited to Services	2018/19 £000
115	School Sport Partnership	29
5,078	Housing Benefit Subsidy	4,464
65	Benefits Administration Subsidy	82
467	Adult Learning (Various)	493
8,757	Dedicated Schools Grant *(note 7)*	8,829
97	Unaccompanied Asylum Seeking Children	67
1,326	Public Health	1,292
104	Controlling Migration Fund	-
59	Revenues	58
70	SEND Grant	-
275	One Public Estate Funding	133
0	Armed Forces Covenant	34
69	Bus Service Operator	69
70	Children Looked After	83
58	Elections	51
257	Pupil Premium	244
63	Troubled Families Programme	17
115	Universal Infant Free School Meals	95
179	Other Grants	240
17,224	**Total**	**16,280**

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:

2017/18 £000	Revenue Grants & Contributions - Receipts in Advance	2018/19 £000
-	MOD Covenant Grant	22
-	Resolving Parental Conflict	35
70	SEN Reform	92
150	Dedicated Schools Grant	213
54	Homelessness	78
33	Adult Learning	93
45	Troubled Families	69
61	Other Grants	52
413	**Total**	**654**

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The authority credited the following capital grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18	**Capital Grants & Contributions**	**2018/19**
£000		**£000**
196	Capital Maintenance	192
846	Basic Need Grant	-
2,563	Highways Capital Maintenance	2,763
458	Highways Integrated Transport	458
32	Devolved Formula Capital	63
227	Better Care Fund (BCF)	247
130	Heritage Lottery Funding	240
-	Special funding Provision (SEND)	167
41	Other Grants & Contributions	213
4,493	**Total**	**4,343**

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.

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Summary of Usable and Unusable Reserves

31 March 2018 £000	**Summary of Usable & Unusable Reserves**	**1 April 2018 £000**	**Movement £000**	**31 March 2019 £000**
	Usable Reserves			
8,979	General Fund Balance	8,979	(16)	8,963
751	School Balances	751	(109)	642
10,513	Specific Reserves (Note 14)	10,513	1,420	11,933
1,347	Capital Receipts Reserve	1,347	95	1,442
6,286	Capital Grants	6,286	321	6,607
27,876	**Total Usable Reserves**	**27,876**	**1,711**	**29,587**
14,524	Revaluation Reserve	14,524	(683)	13,842
35,693	Capital Adjustment Account	35,693	73	35,765
121	Deferred Capital Receipts	121	(87)	34
76	Financial Instruments Adjustment Account	76	(16)	60
(37,109)	Pension Fund Reserve	(37,109)	(9,986)	(47,095)
(412)	Collection Fund Adjustment Account	(412)	432	20
(262)	Accumulating Compensated Absences Adjustment Account	(262)	96	(166)
12,631	**Total Unusable Reserves**	**12,631**	**(10,171)**	**2,460**
40,507	**Total Reserves**	**40,507**	**(8,460)**	**32,047**

	Usable Reserves				
Adjustments between Accounting Basis & Funding Basis Under Regulations 2018/19	**General Fund Balance**	**Capital Receipts Reserve**	**S106/ Oakham North Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non-current assets	2,328	-	-	-	(2,328)
Revaluation losses on Property Plant and Equipment	(569)	-	-	-	569
Capital grants & contributions applied	(3,781)	-	(56)	(330)	4,167
Capital Receipts Applied	(119)	-	-	-	119
Revenue expenditure funded from capital under statute	1,193	-	-	-	(1,193)
Amounts of non-current asset written off on disposal of sale	5,156	-	-	-	(5,156)
Statutory provision for the financing of capital investment	(719)	-	-	-	719
Capital expenditure charged against the general fund	(154)	-	-	-	154
Adjustment primarily involving the Capital Grants Unapplied Accounts					
Capital grants & contributions unapplied	(651)	-	-	651	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	-	-	-	-	-

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Adjustments between Accounting Basis & Funding Basis Under Regulations 2018/19	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/ Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	87	-	-	(87)
Repayment of Capital Loan	-	48	-	-	(48)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(40)	-	-	40
Adjustment primarily involving the Section 106 Reserve					
Section 106 contributions unapplied transferred to reserves	(984)	-	984	-	-
Use of the Section 106 reserves to finance revenue expenditure	49	-	(49)	-	-
Adjustment primarily involving the Deferred Capital Receipt Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	-	-	-	-	-
Adjustments primarily involving the Oakham North Reserve					
Oakham North contributions unapplied	(371)	-	371	-	-
Adjustments primarily involving the Financial Instruments Account					
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	16	-	-	-	(16)
Adjustment primarily involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,422)	-	-	-	2,422
Employer's pension contributions and direct payments to pensioners payable in the year	5,473	-	-	-	(5,473)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income is different from income calculated in accordance with statutory requirements	(432)	-	-	-	432
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	(96)	-	-	-	96
Total Adjustments	**3,917**	**95**	**1,250**	**321**	**(5,583)**

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Adjustments between Accounting Basis & Funding Basis Under Regulations 2017/18	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/ Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non-current assets	2,145	-	-	-	(2,145)
Revaluation losses on Property Plant and Equipment	120	-	-	-	(120)
Capital grants & contributions applied	(3,493)	-	(394)	(77)	3,964
Capital Receipts Applied	(37)	-	-	-	37
Revenue expenditure funded from capital under statute	468	-	-	-	(468)
Amounts of non-current asset written off on disposal of sale	979	-	-	-	(979)
Statutory provision for the financing of capital investment	(897)	-	-	-	897
Capital expenditure charged against the general fund	-	-	-	-	-
Adjustment primarily involving the Capital Grants Unapplied Accounts					
Capital grants & contributions unapplied	(1,015)	-	(3)	1,018	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	133	-	-	(133)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(304)	-	-	304
Adjustment primarily involving the Section 106 Reserve					
Section 106 contributions unapplied transferred to reserves	(889)	-	889	-	-
Use of the Section 106 reserves to finance revenue expenditure	29	-	(29)	-	-
Adjustment primarily involving the Deferred Capital Receipt Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	-	-	-	-	-
Adjustments primarily involving the Oakham North Reserve					
Oakham North contributions unapplied	(299)	-	299	-	-
Adjustments primarily involving the Financial Instruments Account					
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	16	-	-	-	(16)
Adjustment primarily involving the Pension Reserve					

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Adjustments between Accounting Basis & Funding Basis Under Regulations 2017/18	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/ Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Reversal of items relating to retirement benefits debited or credited to the CIES	*(2,505)*	-	-	-	*2,505*
Employer's pension contributions and direct payments to pensioners payable in the year	*5,063*	-	-	-	*(5,063)*
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income is different from income calculated in accordance with statutory requirements	*576*	-	-	-	*(576)*
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	*(17)*	-	-	-	*17*
Total Adjustments	***244***	***(171)***	***762***	***941***	***(1,766)***

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.

2017/18 £000	Revaluation Reserve	2018/19 £000
14,911	Balance 1st April	14,525
5,250	Upward revaluation of assets	4,720
(4,827)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,373)
(165)	Difference between fair value depreciation and historical depreciation	(199)
(644)	Accumulated Gain/(Loss) on assets sold or scrapped	(2,831)
14,525	**Balance at 31st March**	**13,842**

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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.

2017/18	**Deferred Capital Receipts Reserve**	**2018/19**
£000		**£000**
254	Balance 1 April	121
(133)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(87)
121	**Balance at 31st March**	**34**

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.

2017/18	**Financial Instruments Adjustment Account**	**2018/19**
£000		**£000**
92	Balance 1 April	76
(16)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(16)
76	**Total**	**60**

Capital Adjustment Account

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

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

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

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

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2017/18 £000	Capital Adjustment Account	2018/19 £000
33,393	Balance at 1 April	35,693
(2,145)	Charges for depreciation and impairment of non-current assets	(1,220)
(120)	Revaluation losses on Property, Plant & Equipment	(541)
(468)	Revenue expenditure funded from capital under statute	(1,193)
468	Grant Funding of Revenue expenditure funded from capital under statute	1,074
(333)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(5,156)
165	Adjusting amounts written out of the Revaluation Reserve	3,031
341	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	111
3,071	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,727
77	Application of grants to capital financing from the Capital Grants Unapplied Account	334
0	Capital expenditure charged against the general Fund balance	154
897	Statutory provision for the financing of capital investment charged against the General Fund balance	719
347	Use of the s106 Reserve to finance new capital expenditure	32
35,693	**Balance at 31 March**	**35,765**

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.

2017/18 £000	Pensions Reserve	2018/19 £000
(37,767)	Balance 1 April 2017	(37,109)
(5,063)	Re-measurements of the net defined benefit liability (asset)	(6,935)
3,216	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(5,473)
2,505	Employers pensions contributions and direct payments to pensioners payable in the year	2,422
(37,109)	**Total**	**(47,095)**

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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.

2017/18	**Collection Fund Adjustment Account**	**2018/19**
£000		**£000**
164	Balance 1 April 2017	(412)
(576)	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	432
(412)	**Total**	**20**

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.

2017/18	**Accumulated Absences Account**	**2018/19**
£000		**£000**
(279)	Balance 1 April 2018	(262)
279	Settlement or cancellation of accrual made at the end of the preceding year	262
(262)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(166)
(262)	**Total**	**(166)**

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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 2018/19 .

General Fund Earmarked Reserves	31 March 2018 £000	Transfers out £000	Transfers In £000	31 March 2019 £000
Invest to Save	176	(30)	126	272
Planning Delivery Grant	119	(119)	-	-
Internal Audit	20	-	-	20
Training	70	(6)	11	75
Repairs	-	-	110	110
Highways	423	(65)	250	608
Public Health	407	(295)	204	316
Brexit	-	-	105	105
Tourism	38	(15)	8	31
Digital Rutland	24	(22)	24	26
National Non Domestic Rates	342	(10)	-	332
SEND Grant	97	(97)	-	-
Social Care Reserve	1,240	(622)	417	1,035
Insurance	150	-	30	180
Welfare Reserve	145	(25)	42	162
Better Care Fund	297	(162)	305	440
Pressure Reserve	475	-	-	475
Commuted Sums	418	(36)	-	382
Section 106	3,045	(105)	984	3,924
Oakham North Agreement	2,289	-	371	2,660
Budget Carry Forward	738	(681)	723	780
Total	**10,513**	**(2,290)**	**3,710**	**11,933**

15. Financial Instruments

Categories of Financial Instruments

Allowances for impairment losses have been calculated for amortised cost assets applying the expected credit loss model. Any material changes in loss allowances are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. In 2018/19 the impairment losses are not considered material.

2017/18			Financial Instruments Balances	2018/19		
Non Current Borrowings	***Non Current Creditors***	***Current Borrowings***		**Non Current Borrowings**	**Non Current Creditors**	**Current Borrowings**
£000	***£000***	***£000***	Financial liabilities	**£000**	**£000**	**£000**
(22,505)	-	*(6,250)*	Amortised cost	(22,437)	-	(6,738)
(22,505)	-	***(6,250)***	**Total Financial Liabilities**	**(22,437)**	**-**	**(6,738)**
Non Current Investments	***Non Current Debtors***	***Current Investments***		**Non Current Investments**	**Non Current Debtors**	**Current Investments**
£000	***£000***	***£000***	Financial Assets	**£000**	**£000**	**£000**
-	*209*	*32,365*	Amortised Cost	**-**	188	35,353
-	***209***	***32,365***	**Total Financial Assets**	**-**	**188**	**35,353**

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

Gains & Losses Recognised in the Comprehensive Income & Expenditure Statement		
2017/18		**2018/19**
Surplus or Deficit on the Provision of Services		**Surplus or Deficit on the Provision of Services**
£000	**£000**	**£000**
(232)	**Interest Revenue**	(312)
(232)	Total Interest Revenue	**(312)**
1,049	Interest Expense	**1,049**
1,049	**Total Expense in the Surplus/Deficit on the Provision of Services**	**1,049**

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

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair values of financial instruments are calculated as follows:

2017/18		**Fair Value of Financial Instruments**	**2018/19**	
Carrying Amount	***Fair Value***		**Carrying Amount**	**Fair Value**
£000	***£000***		**£000**	**£000**
21,386	*33,194*	PWLB Debt	21,386	33,790
1,008	*985*	Non PWLB Debt	924	935
3,204	*3,204*	Short Term Creditors	2,814	2,814
25,598	***37,383***	**Total Financial Liabilities**	**25,124**	**37,539**
30,001	*30,096*	Short Term Investments	30,000	30,124
410	*248*	Short Term Debtors	916	785
30,411	***30,344***	**Total Financial Assets**	**30,916**	**30,909**

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

Credit Risk Management Practices

The authority's credit risk management practices are set out on pages 18 to 20 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

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

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

- credit watches and credit outlooks from credit rating agencies

- CDS spreads to give early warning of likely changes in credit ratings

- sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £30million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at the 31st March 2019 that this was likely to crystallise.

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

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

2017/18 £000	Period	2018/19 £000
-	Less than one year	-
-	Between one and two years	-
1,008	Between two and seven years	924
-	Between seven and 15 years	-
21,386	More than 15 years	21,386
22,394	**Total**	**22,310**

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

Period	£000
Between one and two years	1
Between two and three years	20
More than three years	167
Total	**188**

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.98 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 (no impact on revenue balances);
- 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 (no impact on revenue balances)

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

The authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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.

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If all interest rates had been 0.25% higher (with all other variables held constant) the financial effect in 2018/19 would be:

Effect	**£000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(89)
Total	**(89)**

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

Price risk

The authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates. The authority (excluding the pension fund) has not invested in equity shares or marketable bonds during 2018/19.

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17. Property, Plant & Equipment

Property, Plant & Equipment (PPE) – 2018/19	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 2018	**38,173**	**2,003**	**46,570**	**419**	**65**	**87,230**
Reclassification from Assets Under Construction	-	-	-	-	-	-
Additions	158	198	2,653	264	-	3,273
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(351)	-	-	-	-	(351)
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services.	257	-	-	-	-	257
De-recognition - Disposals	(5,457)	-	-	-	-	(5,457)
Transfer to other IFRS categories	-	-	47	(105)	-	(58)
At 31 March 2019	**32,780**	**2,201**	**49,270**	**578**	**65**	**84,894**
Accumulated Depreciation & Impairment						
At 1 April 2018	**(3,509)**	**(1,745)**	**(11,065)**	**-**	**(2)**	**(16,321)**
Depreciation charge in year	(533)	(46)	(1,610)	-	(1)	(2,190)
Depreciation written out to the revaluation reserve	393	-	-	-	-	393
Depreciation Written out to the Surplus/ Deficit on the Provision of Services	208	-	-	-	-	208
Impairment (losses)/ reversals recognised in Revaluation Reserve	2,305	-	-	-	-	2,304
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	104	-	-	-	-	104
De-recognition – Disposal	301	-	-	-	-	301
At 31 March 2019	**(731)**	**(1,791)**	**(12,675)**	**-**	**(3)**	**(15,200)**
Net Book Value At 31 March 2019	**32,049**	**410**	**36,595**	**578**	**62**	**69,694**
At 1 April 2018	34,664	258	35,505	419	63	70,909

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Property, Plant & Equipment (PPE) – 2017/18	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 2017	***40,811***	***1,994***	***44,515***	***167***	***188***	***87,675***
Reclassification from Assets Under Construction	-	-	-	-	-	-
Additions	*1,213*	*9*	*2,055*	*324*	-	*3,601*
Revaluation increase / (decrease) recognised in the Revaluation Reserve	*(2,930)*	-	-	-	-	*(2,930)*
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services	*(120)*	-	-	-	-	*(120)*
Reclassification from Assets Held for Sale	-	-	-	-	-	-
De-recognition - Disposals	*(996)*	-	-	-	-	*(996)*
Transfer to other IFRS categories	*194*	-	-	*(72)*	*(123)*	*(1)*
At 31 March 2018	***38,172***	***2,003***	***46,570***	***419***	***65***	***87,229***
Accumulated Depreciation & Impairment						
At 1 April 2017	***(6,446)***	***(1,680)***	***(9,537)***	***-***	***(3)***	***(17,666)***
Depreciation charge in year	*(494)*	*(65)*	*(1,528)*	-	*(1)*	*(2,088)*
Depreciation written out to the revaluation reserve	*1,680*	-	-	-	-	*1,680*
Depreciation Written out to the CIES	-	-	-	-	-	-
Impairment (losses)/ reversals recognised in Revaluation Reserve	*1,673*	-	-	-	-	*1,673*
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	*64*	-	-	-	-	*64*
De-recognition – Disposal	*17*	-	-	-	-	*17*
Reclassification from Assets held for Sale	-	-	-	-	-	-
Reclassification to Surplus Assets	*(2)*	-	-	-	*2*	-
At 31 March 2018	***(3,508)***	***(1,745)***	***(11,065)***	***-***	***(2)***	***(16,320)***
Net Book Value At 31 March 2018	***34,664***	***258***	***35,505***	***419***	***63***	***70,909***

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 2018/19 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 historic prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

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Valued at fair value as at	Vehicles, Plant & Equipment	Other Land & Buildings	Total
	£000	£000	£000
Historical Cost	410	-	410
At 1 April 2015	-	5,525	5,525
At 1 April 2016	-	3,043	3,043
At 1 April 2017	-	9,545	9,545
At 1 April 2018	-	13,936	13,936
Total cost or valuation	**410**	**32,049**	**32,459**

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 £1,210,000 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.

2017/18	Capital Financing Requirement	2018/19
£000		£000
22,756	Opening Capital Financing Requirement	21,859
	Capital Investment	
3,600	Property Plant & Equipment	3,273
80	Intangible	14
468	Revenue expenditure funded from capital under statute (REFCUS)	1,193
50	Long Term Debtor	-
	Sources of Finance	
(341)	Capital Receipts	(158)
(3,858)	Government Grants and contributions	(4,167)
(897)	Sums set aside from revenue (including direct revenue financing, MRP, VRP and loans fund principals)	(768)
21,859	**Closing Capital Financing Requirement**	**21,246**
	Explanation of movement in year	
(897)	Increase/(reduction) in the underlying need to borrow	*(613)*

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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;

2017/18 £000	Council as Lessee - Operating Leases	2018/19 £000
70	Not later than one year	56
83	Later than one year and not later than five years	137
187	Later than five years	170
340	**Total**	**363**

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:

2017/18 £000	Council as Lessee – Minimum Lease Payments	2018/19 £000
70	Minimum Lease Payment	67

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:

2017/18 £000	Council as Lessor - Operating Leases	2018/19 £000
592	Not later than one year	611
(118)	Change in accounting estimate- Not later than one year	-
1,331	Later than one year and not later than five years	1,752
283	Later than five yearsr	354
2,088	**Total**	**2,717**

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

2017/18 £000	Short-term debtors	2018/19 £000
584	Central Government Bodies	600
188	Other Local Authorities	848
675	NHS Bodies	787
123	Schools	256
2,814	Other Entities & Individuals	2,321
4,384	**Total**	**4,812**

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2017/18 £000	Long-term debtors	2018/19 £000
117	Housing Association	116
92	Other	73
209	**Total**	**189**

23. Intangible Assets

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

2017/18 £000	Intangible Assets	2018/19 £000
	Balance 1 April	
603	Gross Carrying Amounts	683
-	Accumulated Amortisation	(121)
	Net Carrying Amount at Start of the Year	
80	Additions	14
-	Assets Under Construction Completed in Year	58
(121)	Amortisation for the period	(138)
562	**Net Carrying Amount at End of the Year**	**496**
683	Gross Carrying Amounts	755
(121)	Accumulated Amortisation	(259)
562	**Net Carrying Amount at End of the Year**	**496**

24. Creditors

2017/18 £000	Creditors	2018/19 £000
919	Central Government Bodies	1,871
474	Other Local Authorities	460
175	Schools	133
4,714	Other Entities & Individuals	4,418
6,282	**Total**	**6,882**

25. Provisions

Provision	Balance 1 April £000	Addition to Provision £000	Amount Charged in Year £000	Balance 31 March £000
Appeals (NDR)	518	403	(123)	798

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.

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26. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2017/18 £000		2018/19 £000
(234)	Interest Received	(312)
1,049	Interest Payables	1,049
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(2,145)	Depreciation and Impairment of Non-Current Assets	(1,219)
(120)	Revaluation Losses on Property, Plant and Equipment	(541)
(2,558)	Movement in Pension Liability	(2,329)
(978)	Gains or Losses on Disposal of Non-Current Assets	(5,156)
(254)	Increase / (Decrease) in Provisions	(279)
(1,642)	Increase / (Decrease) in Creditors	(600)
344	Increase / (Decrease) in Debtors	429
(123)	Increase / (Decrease) in Long Term Debtors	(21)
(15)	Increase / (Decrease) in Inventories	30
(23)	Other	68
(7,514)	**Total Non-Cash Movements**	**(9,618)**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
5,695	Capital Grants credited to the CIES	5,905
37	Proceed from Disposal of Property, Plant and Equipment	119
(469)	Revenue Expenditure Funded from Capital in Statute	(1,193)
0	Proceeds from the Sale of Short Term Investments	0
(380)	Other	432
4,883	**Total Investing or Financing Activities**	**5,263**

27. Cash Flow Statement – Investing Activities

2017/18 £000	**Investing Activities**	**2018/19 £000**
4,198	Purchase of property, plant and equipment, investment property and intangible assets	4,479
22,000	Purchase of short-term and long-term investments	30,000
(133)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(166)
(26,018)	Proceeds from short-term and long-term investments	(22,000)
(5,694)	Capital Grants Received	(5,905)
(5,647)	**Total**	**6,408**

28. Cash Flow Statement – Financing Activities

2017/18 £000	**Financing Activities**	**2018/19 £000**
42	Receipt / Repayment of short and long-term borrowing	84
441	Other payments for financing activities	(432)
483	**Total**	**(348)**

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29. Cash Flow Statement – Cash & Cash Equivalents

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

2017/18	**Cash & Cash Equivalents**	**2018/19**
£000		**£000**
3	Cash held by the authority	2
1,493	Bank current accounts in credit	4,608
8,001	Short term deposits	-
(991)	Bank current accounts overdrawn	(961)
8,506	**Total**	**3,649**

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 2018/19 the authority paid £0.25 million to Teacher's Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay (£0.19 million and 19.61% in 2017/18).There were no contributions remaining payable at the year end.

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

31. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The authority participates in two post-employment schemes:

- the Local Government Pension Scheme (LGPS) administered locally by Leicestershire County Council; this is a funded defined benefit career average salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 30 above).

Transactions relating to post-employment benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement.

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The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 4 July 2019 and take into account their assessment of the potential impact of the outcome of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. The impact on liabilities is an increase of 0.1.6% (£0.712m) for McCloud. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

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

2017/18	**Comprehensive Income & Expenditure Statement**	**2018/19**
£000		**£000**
	Cost of Service	
4,028	Current Service Cost	3,732
33	Past Service Cost	712
	Financing & Investment Income & Expenditure	
1,002	Net interest expense	1,029
5,063	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**5,473**
	Other post-employment benefits charged to the CIES	
(1,265)	Return on plan assets (excluding the amount included in the net interest expense)	(2,028)
-	Actuarial gains and losses arising on changes in demographic assumptions	-
(1,938)	Actuarial gains and losses arising on changes in financial assumptions	9,131
(13)	Other	(168)
(3,216)	Total Re-measurements Recognised in CIES	**6,935**
1,847	**Total post-employment benefit charged to the CIES**	**12,408**
	Movement in Reserves Statement	
(5,063)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(5,473)
2,558	Actual Amount charged against the General Fund Balance for Pensions in the year	3,051
(2,505)	**Total Movement in Reserves Statement**	**(2,422)**

2017/18	**Pensions Assets and Liabilities Recognised in the Balance Sheet**	**2018/19**
£000		**£000**
(70,250)	Fair Value of Employer Assets	(74,546)
107,359	Present Value of Defined Benefit Obligation	121,641
37,109	**Net liability arising from defined benefit obligation**	**47,095**

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.

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2017/18 £000	Reconciliation of the Fair Value of the Scheme Assets	2018/19 £000
66,716	Opening fair value of Scheme Assets	70,250
1,740	Interest Income	1,900
1,265	Return on plan assets, excluding the amount included in the net interest expense	2,028
2,505	Contributions from Employer	2,422
686	Contributions from Employees	666
(2,662)	Benefits Paid	(2,720)
70,250	**Closing Fair Value of Scheme Assets**	**74,546**

2017/18 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2018/19 £000
104,483	Opening Liability at 1 April	107,359
4,028	Current Service Cost	3,732
2,742	Interest Cost	2,929
686	Contributions from Scheme Participants	666
(1,938)	Actuarial gains/losses arising from changes in financial assumptions	9,131
(13)	Other	(168)
33	Past Service Costs	712
(2,662)	Benefits Paid	(2,720)
107,359	**Closing Liability at 31 March**	**121,641**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £44.828 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 2019 is £2.34m.

The following table is 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.

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2017/18 £000	Local Government Pension Scheme Assets	2018/19 £000
1,705	**Equity Securities**	1,298
	Debt Securities	
5,863	UK	6,312
641	Other	965
6,504	**Total debt securities**	**7,277**
2,498	**Private Equity**	3,438
6,171	**Real Estate**	5,572
	Investment Funds & Unit Trusts	
33,094	Equities	29,940
8,064	Bonds	3,150
2,449	Hedge Funds	6
1,646	Commodities	2,637
3,323	Infrastructure	3,921
2,079	Other	15,169
50,655	**Total investment funds & unit trusts**	**54,823**
(205)	**Derivatives**	(95)
2,922	**Cash & Cash Equivalents**	2,233
70,250	**Closing Fair Value of Scheme Assets**	**74,546**

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 2019. The significant assumptions used by the actuary have been:

2017/18		2018/19
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.1	Men (years)	22.1
24.3	Women (years)	24.3
	Longevity at 65 for Future Pensioners:	
23.8	Men (years)	23.8
26.2	Women (years)	26.2
	Financial Assumptions	
3.40%	Rate of Inflation	3.50%
3.40%	Rate of increase in salaries	3.50%
2.40%	Rate of increase in pensions	2.50%
2.70%	Rate for discounting scheme liabilities	2.40%
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%

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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 31 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 £2.34m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for active members is 24.4 years.

32. Contingent Liabilities

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

33. Contingent Assets

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

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34. Trust Funds

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

2017/18 £000	Trust Funds	2018/19 £000
6	Income	7
(8)	Expenditure	(8)
212	Assets	223

35. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 31 May 2019. 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 2019 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

36. Accounting Standards Issued Not Yet Adopted

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

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

37. Critical judgements in applying accounting policies

In applying the accounting policies, set out from page 58, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- The Council's accounting policy for the recognition of school related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to the governing bodies, the Council has determined that in this case substance should take precedence over form.

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Therefore the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet.

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every five years by external valuers. In addition to this rolling programme each year the Councils external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 17.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been reassessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

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

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

The items in the authority's Balance Sheet at 31 March 2019 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 2018/19 the authority's actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 2%.
Arrears	At 31 March 2019 the authority had a balance of £4.8 million for all of its short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £0.5 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 £0.5 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.

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Collection Fund

2017/18 Total £000	Collection Fund	2018/19 Council Tax £000	2018/19 Business Rates £000	2018/19 Total £000
	Income			
(27,563)	Council Tax Receivable	(29,793)	-	(29,793)
(10,812)	Business Rates Receivable	-	(11,628)	(11,628)
(666)	Transitional Protection Payments Receivable	-	(533)	(533)
(4)	Annex Grant	-	-	-
(11)	Local Council Tax Support - General Fund Contribution	(15)	-	(15)
(39,056)	**Total Income**	**(29,808)**	**(12,161)**	**(41,969)**
	Expenditure			
	Precepts			
23,919	Rutland County Council	25,602	-	25,602
2,813	Leicestershire Police	3,051	-	3,051
944	Leicester, Leicestershire & Rutland Fire Authority	991	-	991
27,676	***Total Precepts***	**29,644**	-	**29,644**
	Business Rates Shares			
5,618	Central Government	-	5,614	5,614
5,505	Rutland County Council	-	5,501	5,501
112	Leicester, Leicestershire & Rutland Fire Authority	-	112	112
11,235	***Total Business Rates Shares***	**-**	**11,227**	**11,227**
	Charges to the Collection Fund			
45	Write Off - Uncollectable Amounts	41	23	64
7	Increase / (Decrease) in Bad Debt Provision	4	(15)	(11)
766	Increase / (Decrease) in Appeals Provision	-	822	822
59	Cost of Collection	-	58	58
79	Renewable Energy	-	45	45
956	***Total Charges to the Collection Fund***	**45**	**933**	**978**
	Distribution of Previous Year's Estimated Collection Fund Surplus			
33	Central Government	-	(323)	(323)
201	Rutland County Council	(70)	(316)	(386)
20	Leicestershire Police	(8)	-	(8)
8	Leicester, Leicestershire & Rutland Fire Authority	(3)	(6)	(9)
262	***Total Distribution of Previous Year's Estimated Collection Fund Surplus***	**(81)**	**(645)**	**(726)**
40,129	**Total Expenditure**	**29,608**	**11,515**	**41,123**
1,073	**(Surplus) / Deficit on Collection Fund**	**(200)**	**(646)**	**(846)**
	Collection Fund Balance			
(195)	(Surplus)/Deficit B/Fwd 1 April	107	771	878
1,073	(Surplus)/Deficit Arising During the Year	(200)	(646)	(846)
878	**(Surplus)/Deficit C/Fwd 31 March**	**(93)**	**125**	**32**

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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 2019 was £32.500 million (31 March 2018 - £32.256 million).

The standard BR multiplier for 2018/19 was 49.3 pence (2017/18 – 47.9 pence). The small business multiplier for 2017/18 was 48.0 pence (2017/18 46.6 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 2018/19 is calculated as follows:

2017/18 Band D Equivalent	**Band**	**Ratio**	**Number of Chargeable Dwellings**	**2018/19 Band D Equivalent**
2.40	A (with Disabled Relief)	5/9	5.26	2.91
677.91	A	6/9	1,042.56	753.54
2,441.61	B	7/9	3,196.27	2,539.46
2,363.65	C	8/9	2,624.56	2,381.87
2,203.08	D	9/9	2,235.96	2,278.16
2,611.95	E	11/9	2,103.92	2,597.48
2,168.68	F	13/9	1,518.26	2,216.30
1,991.33	G	15/9	1,198.28	2,002.55
253.10	H	18/9	127.75	259.07
14,713.71	Total			15,031.34
458.00	Ministry of Defence contribution in lieu of council tax			431.90
(147.11)	Allowance for non-collection			(150.31)
15,024.60	**Council Tax Base**			***15,312.93***

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4. Impairment

The balances determined to require impairment at the reporting date have been considered with regard to their age and the likelihood of repayment.

	Business Rates £'000	Council Tax £'000
Assets past due but not impaired	37	386
Assets impaired		
2003-04	0	1
2004-05	0	2
2005-06	0	3
2006-07	0	3
2007-08	0	3
2008-09	0	5
2009-10	0	6
2010-11	0	11
2011-12	0	13
2012-13	0	18
2013-14	0	21
2014-15	3	22
2015-16	14	39
2016-17	30	82
2017-18	38	138
2018-19	54	0
Total Assets Impaired	**139**	**367**

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Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for service or the provision of goods, is recognised when (or as) the good or services are transfers to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Acquisitions and Discontinued Operations

Acquired Operations

Additional policy detail required where an authority has acquired operations (or transferred operations under combinations of public sector bodies) during the financial year.

Discontinued Operations

Additional policy detail required where an authority has discontinued operations (or transferred operations under combinations of public sector bodies) during the financial year.

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

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months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the

difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses, for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, 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 wage and salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognised costs for a restructuring.

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

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that the liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a

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defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Peoples Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and equally the Adult Social Care and Public Health for the NHS scheme.

The Local Government Pension Scheme

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

- The liabilities of the Leicestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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.
    - Re-measurements Comprising
        - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
        - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

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

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

Discretionary Benefits

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

Events After the Reporting Date

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

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

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

Financial Instruments

Financial Liabilities

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the

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General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

Financial Assets measured at Amortised Cost

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

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

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is managed by a transfer to or from the Financial Instruments Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

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

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The authority has a portfolio of a small number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

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. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Heritage Assets

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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 (if there is an individual asset that would be considered material. 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. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Inventories and Long-Term Contracts

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

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

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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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.

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Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (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 service segments in accordance with the authority's arrangements for accountability and financial performance.

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Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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 and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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

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- 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.

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.

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

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

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of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

Value Added Tax (VAT)

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

Fair Value Measurement

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

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

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

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

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

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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.

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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 arm's length transaction.

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

Finance Lease - A lease that transfers substantially all 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.

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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. The charge is calculated by amortising the value evenly over 50 years for expenditure incurred prior to 1st April

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2007. For capital expenditure funded by borrowing after this date, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

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

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

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

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

Precept - The amount a local Council, who cannot levy a council tax directly on the public (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 service

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 (updated in 2016) are embedded throughout the Council's Constitution and other strategies. This statement explains how the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

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 2019 and up to the date of approval of the statement of accounts.

3. The Governance Framework

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

Vision, Aims and Objectives

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The Corporate Plan serves as a roadmap for what the Council wants to achieve during its current four-year term. The Plan was developed following a review of the previous Plan, a multi-agency workshop, public consultation and Scrutiny Panel review and feedback.

The Rutland County Council Corporate Plan 2016 to 2020 was adopted by Council on the 12th September 2016 based on a recommendation from Cabinet. The Plan can be found here:

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

The Corporate Plan priorities include:

- Delivering sustainable growth, supported by appropriate housing, employment, learning opportunities and infrastructure (including other Public Services)
- Safeguarding the most vulnerable and supporting the health and well-being needs of our community
- Planning and supporting future population and economic growth to allow businesses, individuals, families and communities to reach their full potential
- Ensuring the Council's medium term financial plan is balanced and based on delivering the best possible value for the Rutland pound.

The Council did not refresh its Corporate Plan in the year but it will be reviewed after the May 2019 election.

The aims and priorities are underpinned by targets which will be reported on quarterly through the corporate performance report. The targets include improving educational attainment, reducing emergency admissions to hospital, creating new affordable homes, increasing the number of visitors to Oakham castle and reducing the funding gap in the Medium Term Financial Plan (MTFP).

These targets form the basis for planning for the Budget, Local Plan, the Council's input to the Sustainability and Transformation Plan as well as service and team plans.

The financial implications of implementing agreed priorities are incorporated into the Budget Process and the MTFP.

Political and Constitutional Arrangements

At the start of 2018/19 municipal year the political make-up of the Council has changed to the following: 17 Conservative, 5 independent, and 4 non-aligned.

In May 2018 Councillor Clifton (Ward Councillor for Oakham South West) resigned from the Council. A by-election was subsequently held on 12 July 2018 which resulted in the election of Councillor Alderman (Independent) for the Oakham South West Ward. Councillor Alderman subsequently resigned on 21st February 2019 no by-election was held as this was within the period of 6 months before the ordinary election.

In July 2018 Councillor Stewart (Ward Councillor for Cottesmore) resigned from the Council and Councillor Begy (Ward Councillor for Greetham) stepped down from his role as Deputy Leader

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and as a member of Cabinet. Councillor Begy remains as a Councillor for the Council. The position of Ward Councillor for Cottesmore has remained vacant. The Cabinet Portfolios can be found on the following link:

http://rutlandcounty.moderngov.co.uk/mgCommitteeDetails.aspx?ID=133

This changed the political make-up of the Council to 26 Members made up of Groups as follows: 15 Conservative, 5 Independent, 4 non-aligned and 2 vacant posts.

At the Council meeting on 9 July 2018 Councillor Hemsley (Leader of the Council) confirmed the appointment of Councillor Brown to the role as Deputy Leader, and also confirmed the appointment of Councillor Stephenson to the Cabinet.

Elections

In April 2018, as a result of the Local Government Boundary Commission for England (LGBCE) Review that took place in 2017/18, an election took place for the newly created Barleythorpe Parish Council, with the uncontested election of 8 Parish Councillors.

Also as a result of the LGBCE Boundary Review recommendations, the elections staff conducted a full polling place review to ensure that polling arrangements were appropriate for forthcoming elections. The review was completed between October – December 2018, and was approved by Full Council on 21 January 2019.

In addition to these elections during the period of this report, there were a further 25 Parish notice of vacancies posted which have resulted in no election being called and the parishes concerned being given the opportunity to co-opt new councillors to these posts.

Constitution

The Council's 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. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

The Constitution includes a list of roles of officers including officers responsible for undertaking statutory roles. The Chief Executive is the Head of Paid Service. The Deputy Director Corporate Governance is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989 and the Strategic Director for Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.

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.

The Constitution is kept under review by a working group of members appointed by the Council.

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A full review of the Councils Constitution was undertaken in the year through the Council's Constitution Review Working Group with the resulting changes approved by Council on 11 March 2019. Details of these changes can be found on the following link:

https://rutlandcounty.moderngov.co.uk/documents/g1867/Public%20reports%20pack%2011th-Mar-2019%2019.00%20Council.pdf?T=10

Boundary Commission Review

The Local Government Boundary Commission for England identified Rutland as requiring an electoral review which started in March 2017 and was completed in April 2018.

The Commission's final recommendations proposed that Rutland should be represented by 27 county councillors in the future: one more than the current arrangement. The recommendations also proposed that those councillors should represent two three-councillor wards, eight two-councillor wards and five one-councillor wards across the county.

The changes resulting from these recommendations were issued in SI2018/1314 'The Rutland (Electoral Changes) Order 2018' and have now been implemented in accordance with that order. Full details of this order can be found at:

http://www.legislation.gov.uk/id/uksi/2018/1314

Following the implementation of these changes revised electoral register were published for the electorate in Rutland with effect from 1 February 2019. The new electoral arrangements will come into force at the local elections in 2019. Full details in relation to this review can be found at:

http://www.lgbce.org.uk/all-reviews/east-midlands/rutland/rutland

Decision Making Arrangements

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

Matters which require a decision to be made by members are considered by the relevant Directorate Management Team (DMT), who will make a recommendation to the Strategic Management Team (SMT), which comprises the Chief Executive, Directors and Deputy/Assistant Directors. If approved, the matter is reported, with a recommendation to the Cabinet or other appropriate body.

The Deputy Director for Corporate Governance is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision making body must be considered by the Deputy Director for Corporate Governance before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

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

Performance Management

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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 DMT's and SMT 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. In 2018/19 the Council took a different approach and produced a more accessible annual report for 2017/18 with detailed information explaining how local services are operating, together with the usual performance data. The report was published in August 2018 and it was the first time that Rutland's annual report has been published in this way and is part of the Council's commitment to show how it's serving local communities.

In addition, at the start of the year, the Chief Executive working with SMT colleagues redesigned how performance was to be tracked internally. A new performance dashboard was developed, which combines information about projects, finance and KPIs. This is reported quarterly and discussed at SMT. At a Directorate level, Directors working with their DMT's focus on operational performance.

The Council has moved away from formal quarterly performance monitoring from this year and instead produced a mid-year report with information available to both Cabinet and Scrutiny Panels, as required in the intervening periods. An annual report will be published again after the year end in August 2019.

The performance management framework flows through the Council, down to an individual employee level. All officers have a Performance Development Review (PDR) with their manager during each year. This process includes reviewing progress against objectives and targets and setting new objectives and targets for the forthcoming year. Training and development needs are also identified during this process.

The Council also has a Compliments, Comments and Complaints Policy. Compliance with the Policy is reported via the performance management framework and an annual report is taken to Audit and Risk Committee for Member consideration.

Financial Management

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

The 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 Strategic Director for Resources is a member of the Council's SMT and is actively involved in the key business decisions of the Council. The post holder oversees the development and work of the financial management function at the Council and is the Council's proper officer for matters of financial administration. The post holder is professionally qualified as a CIPFA

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

The MTFP was updated throughout 2018/19 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 as part of the budget setting process. Members have up-to-date financial information about not only the current but also the medium term outlook for decision making purposes.

In their Annual Governance report issued in September 2018, the external auditors issued an unqualified audit opinion on the Authority's financial statements.

The Council has a set of Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs) within its Constitution which govern the way in which financial matters are conducted. Both FPR's and CPRs were updated as part of the review of the Constitution. Further details can be found on the link above.

Risk Management

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

The Leader is the lead member for risk management. Each risk is assigned a member of SMT as risk owner. SMT is responsible for maintaining the register and monitoring the actions taken to mitigate the strategic risks. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels/Committee if there is a need to look at them in more detail. An example of this was a more detailed review into recruitment and retention arrangements by Scrutiny following a referral from Audit and Risk. The register was reviewed in September 2018 by Audit and Risk Committee and then again in January 2019. The Risk Management Policy itself was reviewed by Audit and Risk Committee in October 2018 in advance of a full review by the Strategic Director in 2019.

Beyond the corporate risk register, the Council also has an Elections Risk Register and Fraud Risk register. Directorates also have their own risk registers albeit in different formats. The move to standardise risk registers is ongoing. More recently, the Council has been identifying risk and mitigations in relation to Brexit and is working with colleagues across Leicestershire, Leicester and Rutland.

Standards of Conduct

During 2018/19 the Monitoring Officer received 28 complaints of alleged councillor misconduct within the County. The vast majority of the complaints continue to be related to Oakham Town Council. Various independent investigations are ongoing. In addition the Committee for Standards in Public Life has released their report on Ethics in Local Government. Recommendations arising

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from this report will be considered by the Authority in a review of its Code of Conduct to take place in 19/20.

Information Governance

The Council has a range of arrangements in place to comply with the General Data Protection Regulations (GDPR) which came into force in May 2018 and other regulations pertaining to data matters. These arrangements include:

- A Data Protection Policy and Document Retention and Record Disposal Policy which was approved by Cabinet in June 2018;
- Monthly staff drop-in sessions for staff to discuss any GDPR related concerns with the Data Protection Officer;
- Training for elected members and staff which includes an e-learning package and briefings to relevant service areas as required;
- Review of contracts by the Commissioning team to ensure GDPR compliance;
- A compliance checking process to help managers monitor staff GDPR awareness.

Counter-fraud and Whistleblowing

The Council has arrangements in place for receiving allegations of fraud or misconduct through its whistle-blowing policy. The Policy was reviewed, and subsequently endorsed by Cabinet in February 2016, to incorporate changes in legislation and reporting procedures within the Council. It will be refreshed in 2019.

An external reporting mechanism was also included in the new version. Members of staff are made aware of the changes through Policy briefings and internal communication updates. Members of the public are also advised of the changes through the website and press releases.

In September, the Council approved an updated Counter Fraud Policy. This provides a clear framework for the Council to identify and investigate anyone who tries to defraud the authority and to recover money from fraudsters by using all possible legal means. In developing its Policy, the Council worked with internal audit and the Audit and Risk Committee and took account of the Code of Practice on Managing the Risk of Fraud and Corruption

Developing Effectiveness

The effective performance of our staff is crucial to delivering Council services. Our Recruitment policy provides the framework to recruit the right staff at the right time. Over the past two years we have introduced some innovative and creative recruitment strategies through digital campaigns and bespoke microsite – this has enabled us to fill difficult to recruit posts and reduce the use of agency and interim staff. This has also brought stability to teams and we are now seeing individuals move through their career and develop their role with Rutland. In December, we rolled out a new Recruitment System and this will progress through 2019 and be supplemented with the design and delivery of a recruitment 'branding' and microsite that will continue to improve the candidate experience and hence their impression of Rutland as an employer.

We invest in our staff through a training and development framework that supports professional training, ensures essential and mandatory training is provided, as well as organisational, leadership and management development. The Council' has successfully delivered against the new Apprenticeship Levy in the past 2 years– providing opportunities for Apprenticeships as

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well as ongoing professional development for existing staff through new Apprentice programmes such as the Institute of Leadership and Management and Health and Social Care.

The Council adopts a range of HR policies and practices that (a) ensures we operate within employment legislation and regulation and (b) provides a sound framework that supports our relationship with our staff – i.e. to ensure staff are treated fairly and within the spirit of our Values. The Council's Workforce Development Strategy will evolve during 2019 based on feedback from the second Staff Engagement Survey that was carried out in Quarter 3 of 2017/18, with a specific focus on employee engagement and development. The Council has a Performance Development Review (PDR) scheme, which provides an annual discussion between line manager and employee to ensure the employee is clear of their expectations and objectives and receives feedback on their contribution. Learning and development needs are also identified at these meetings. No changes have been made in year.

Members are provided with development opportunities through in-house and external training and briefings. Budget provision is made for training and development of members and officers. Following a meeting of the Scrutiny Committee the Council is developing the Induction Programme with Councillors to ensure that the best possible training is made available to enable the Democratic process and equip Councillors with the skills that they need following the election. There is mandatory training on the Code of Conduct, planning, licensing and appeals. Members are encouraged to express an interest in receiving training on specific topics.

In 2018/19 Members attended training on the following subjects:

- Induction to the Council (for new Councillors elected in 2018/19)
- Chairing and Leading Scrutiny
- Being an Effective Chairman
- GDPR
- Planning Design and Place making
- Internal Audit and Related Topics

Members have also attended various individual training sessions on a variety of subjects offered through organisations such as East Midlands Councils, Local Government Association and the Centre for Public Scrutiny.

Service Delivery

Partnerships

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

Service area	**Lead Authority Name**
Internal Audit	Local Government Shared Service
Welland Procurement	Melton Borough Council
Legal Services	Peterborough City Council
Out of Hours Emergencies	Harborough District Council
Public Protection	Peterborough City Council

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Service area	Lead Authority Name
Emergency Planning	Leicestershire County Council
Local Safeguarding Children Board	Leicestershire County Council
Health and Safety	Peterborough City Council
Planning system	South Kesteven District Council
Adoption Services	Leicestershire County Council
Public Health	Leicestershire County Council (with shared Director)
Finance IT systems provision and administration	Herefordshire Council (local authority company, Hoople)

The Council continues to review how best to deliver services with an example below of latest plans.

The Council has agreed a new shared service arrangement with neighbouring Harborough District Council as part of long-term plans to improve the way that grounds maintenance is carried out. The agreement means that Harborough District Council will undertake grounds maintenance services such as grass cutting, hedge trimming and weed spraying over the next three years. The arrangement has been put in place as part of long-term plans to combine grounds maintenance with waste management and street cleaning, creating a single environmental services contract for Rutland.

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

Community Engagement, Partnership working and reporting

The Council has two projects that are part of the 'One Public Estate' programme which is supported by Central Government and aims to bring together Central and Local Government together with like-minded private sector partners to deliver services more effectively to the public. These projects relate to St Georges Barracks and the Rutland Hub. This section also includes details of our working on the Local Plan and Town Centre – two other major ventures.

St Georges Barracks

In September 2017, the Ministry of Defence (MOD) and Rutland County Council announced that it would work together to explore possible options for the future use of St George's Barracks in North Luffenham.

St George's Barracks was identified for intended disposal by the MOD in 2020/2021 as part of the November 2016 Better Defence Estate announcement.

As well as ensuring MOD infrastructure is optimised to meet the UK's strategic defence needs, the estate optimisation strategy also contributes to a cross-government target of releasing enough land for a potential 160,000 new homes by 2020, with surplus MOD sites to be utilised for housing and other forms of development.

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The very first high-level plans setting out possible options for the future redevelopment of St George's Barracks were published on Friday 11 May, with residents invited to share their views as part of a public consultation which ran to the 15 June 2018

Work on the project has continued throughout 2018/19 with particular emphasis on the Evolving Masterplan. The Evolving Masterplan was produced based on feedback from consultation with Rutland's Residents and ongoing work commissioned by the MOD to assess the feasibility of the project and the impact of redeveloping the site.

The document sets out the policy context, a vision for the site and outlining the consultation process. It provides a potential future framework for redeveloping the site to create around 2,215 new homes for Rutland and more than 2,000 new jobs.

The application for £30m of Housing Infrastructure Funding (HIF) as part of the plan will enable essential infrastructure works to be brought about in advance of the redevelopment of the St George's site. This will underpin the viability of the project to ensure appropriate and timely investment in infrastructure is put in place.

In January, Council approved the latest version of the Evolving Masterplan for St George's Barracks, together with the business case for a supporting bid to the national Housing Infrastructure Fund (HIF). The business case was developed using a contribution from HIF of c£140k alongside funding from the MOD.

The Council now awaits feedback on its HIF business case.

The Officers' Mess Site

The Council is looking into the potential acquisition and development of the Officers' Mess site at St Georges Barracks. In March 2018, Cabinet endorsed some proactive work be undertaken that would help us understand whether the acquisition of the Officers' Mess for the purpose of providing new housing is feasible.

During the year, the Council has been looking at the financial viability of the site taking advice from various sources and this work is still ongoing. No decision has been made as to how this project might proceed.

Rutland Hub

The Council (RCC) is leading a project to bring together the public sector and elements of the private sector into one physical asset. The Partners involved include the RCC, Leicesterhire Partnership NHS Trust, East Leicestershire and Rutland CCG, Oakham Medical Practice, Healthwatch Rutland, East Midlands Ambulance Service, Leicestershire Fire and Rescue Service and Leicestershire Police.

Currently the partners involved in this project have a number of physical property assets that are spread out across the County of Rutland. In the majority of cases these assets are at the end of their economic life and in need of significant investment or replacement.

The project reached feasibility stage in year with the support of an external consultant. Whilst the idea of developing a Hub remains attractive, the financial viability remains challenging and work is on hold pending the May elections.

Oakham Town Centre

Following the unanimous approval of a motion at Full Council on Monday 15 January 2018, a task and finish group was established through the Council's Growth, Infrastructure and Resources Scrutiny Panel to consider the future of Oakham town. Membership of the group,

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which was independently chaired, comprised representatives from within the community; businesses; local organisations, residents and County Councillors with an interest in the regeneration of Oakham.

A detailed report containing proposals developed by the Group was endorsed by Rutland County Council's Growth, Infrastructure and Resources Scrutiny Panel in November and presented to Full Council in December 2018.

In line with the recommendations put forward by Council officers, Full Council agreed to the creation of a new Partnership Board that will take the Town's work forward to the delivery phase. Initial funding of £2,000 was also approved to help establish the Partnership Board.

The Council has already begun work to explore the feasibility of some of the recommendations included in the final report from Oakham Task and Finish Group. It is hoped that all the mechanisms needed to support the Group and allow further work to be undertaken will be in place by Annual Council in May 2019.

The full report of the Group can be found in the December Council meeting agenda below:

https://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=145&MId=1966&_ga=2.139781875.1726407676.1551546976-858100405.1511790687

Local Plan

We are reviewing the Local Plan in order to extend the plan period to 2036 and to provide for any additional new housing, employment or other development that may be needed over the extended plan period.

Additional consultation forming part of Rutland's ongoing Local Plan Review took place between 13 August and 24 September 2018. The consultation invited comments on two separate documents:

- Focused Changes to the Local Plan after including St George's Barracks in the Plan
- Additional Sites put forward for possible development since the Consultation Draft Local Plan 2017

As part of the consultation an additional or alternative Garden Village proposal was submitted by the land owners of the former Woolfox Airfield and surrounding agricultural land to the East of the A1.

The Council is currently reviewing all of responses received as part of this consultation and would like to thank everybody for their feedback. This feedback is expected to be published together with the Regulation 19 plan in summer 2019.

Working with the business community

We work with the business community in different ways. We offer all year-round support to local businesses of all sizes through its Economic Development team. The team provides information and advice about grant funding, training and networking opportunities.

We held two business summits in the year where some of Rutland's leading businesses gathered in to meet and discuss future trends affecting our local, regional and national economy. Guest speakers at events covered a wide range of topics including the future of retail and high streets, streamlining businesses through cloud computing technology, connecting with customers through social media, and recruiting and retaining staff.

We also organise an Annual Tourism Forum through the Discover Rutland Tourism Committee for groups, businesses and individuals connected with tourism in the local area. This year's forum included a summary of activity from different tourism sectors and reported on the economic impact of Rutland's tourism industry, which is shown to have grown again over the past 12 months.

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Working with health

The LLR Sustainability and Transformation Partnership has continued to reshape health and care services around the needs of the LLR population through the Better Care Together programme developing a multi-year plan which was most recently the subject of community engagement in Autumn 2018.

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

The priorities of the plan, whose aim is to ensure the sustainability and sufficiency of healthcare services, are: to keep more people out of hospital through improved prevention and by supporting more patients at home and in their community; to improve crisis care including for mental health; and to join up routes through the care system. The programme is a standing item at the Rutland Health and Wellbeing Board.

Following publication of the NHS Long Term Plan in January 2019, LLR will move into the next phase of integration, becoming an 'Integrated Care System' by April 2021. This will move further towards place based budgeting (with single system control totals), looking across organisations at the 'LLR pound' and identifying new, more efficient and effective models of care that manage demand, including through increased prevention. How Adult Social Care and Public Health fit into this picture are as yet uncertain, and will be clarified in part through respective Government Green Papers.

Delivery of the local Better Care Fund programme has again progressed well during 2018/19, providing integrated health and social care tailored to the Rutland context. Recent successes working together with local NHS and community sector providers include:

- Some 88% of people receiving reablement care after a hospital stay still living at home three months after being discharged
- A projected rate of permanent admissions to residential homes of 301 per 100,000 people aged over 65 this year, at the target level.
- 20% fewer emergency hospital admissions than the CCG's ceiling target.

Avoiding hospital discharge delays has become business as usual activity, with the focus now turning to reducing hospital admissions and increasing wellbeing by improving care in the community. Unified prevention remains a focus, including an emphasis on active ageing, and on using holistic and personalised approaches to sustain the independence and wellbeing of those living with ill health. Individuals are empowered to take a greater role in their own wellbeing and in shaping the right care and support for them. Successes in prevention include the expansion of the Admiral dementia nurse service, high take-up of the streamlined Housing and Prevention Grant scheme delivering home adaptations for people with disabilities, and the complex care service for those with care needs that are difficult to meet through the mainstream care market.

Locally, the partnership context has also been evolving, offering new opportunities to take integration further in various ways including:

- Rutland becoming one of three LLR 'Locality Pilots' demonstrating how integrated cross-sectoral working in areas of 30-50,000 people can improve local care;
- Rutland GPs launching their own transformation programme with some dependencies on the wider partnership; and

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- an LLR Community Services Review underway which will lead to the recommissioning of Community Nursing services.

In this context, Rutland Governance structures were updated in September 2018, replacing the BCF-focused Integration Executive with a Health and Care Board with a broader scope and remit.

Other Engagement

The Council undertakes public engagement and consultation on a range of matters. Outside of the matters discussed above, in 2018/19 this included:

- Barrowden & Wakerley Neighbourhood Plan
- 2019/20 Annual Budget Consultation
- Learning Disability Market Position Statement
- Armed Forces Survey
- Rutland Older People's Accommodation Market Position Statement
- Pharmaceutical Needs Assessment for Rutland
- Local Transport Plan
- Supporting Uppingham Town Centre in bidding for Government grant funding

Reporting

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

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

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

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 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

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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 continues to be provided by the Welland Internal Audit Consortium in partnership with LGSS. The Head of Internal Audit opinion is shown below:

"Satisfactory Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The level of assurance, therefore, remains at a generally consistent level from 2017/18.

Controls relating to the key financial systems reviewed during the year were all concluded at a level of at least Good Assurance for both design and compliance.

The assurance opinions arising from audit assignments have been of Satisfactory Assurance or above in 98% of cases. Only one opinion of Limited Assurance was given during the financial year and this related to a specific area of compliance, where the wider environment received an opinion of Good Assurance.

The implementation of audit recommendations during the year has generally been strong, with 92% of those actions from 2018/19 audit reports which were due for implementation being completed in accordance with the agreed timescales.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance."

Scrutiny

During 2018/19 the Scrutiny Panels have considered a number of issues of particular concern to assess whether there are robust governance arrangements in place as far as the Council's own services are concerned.

There were two Task and finish groups this year: one on Oakham Town which was referred to earlier and also a Mental Health Task and Finish Group constituted under the Adults and Health Scrutiny Panel. Both reviews were completed this year and have reported their final recommendations to Cabinet and/or Council.

Areas considered by Scrutiny include:

- Financial Management
- Access to Primary Care
- Homecare recommissioning
- Cancer Treatment Waiting Times
- Post 16 Education
- Neighbourhood Planning
- St Georges Barracks
- Local Transport Plan
- Corporate Debt Policy
- Fees and Charges

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- Recruitment and Retention
- Member Induction and Development Plan

Scrutiny Panels also consider service area performance indicators in relation to their scope and remit as set out in terms of reference for each panel.

Audit and Risk Committee

CIPFA best practice on Audit & Risk Committees recommends two key actions: a) Committees undertake an annual review of their effectiveness; and b) Committees produce an annual report on their activity.

The Committee produced an annual report which was presented to Council in September.

As the Committee is in its final year of the election cycle, the effectiveness review was deferred.

Complaints

Further improvement has been achieved in our complaint response times. The results show that 97% of stage 1 complaints (96% last year) and 100% of stage 2 complaints continue to be answered within the deadlines set within the complaints policies.

Financial performance

Quarterly reports on financial management are presented to Cabinet. The outturn position was as follows:

- At a Directorate level, the Council is reporting an under spend of £2.070m but this only translates into an overall under spend of £74k because the vast majority £1.375m of the underspend relates to a) ring fenced budgets; b) demand led budgets; or c) commitments made but not yet fulfilled. In each of these cases under spent budgets are placed into earmarked reserves and are carried forward for future use.

- Despite the overall under spend, there are some areas where there are overspends – there have been significant pressures in waste management, commercial properties and planning income.

In terms of the medium term financial outlook, the Council has a financial gap (it plans to spend more than it receives in funding) which is forecast to be between £1.5m - £2m by 2020/21. The Council understands that this position is not sustainable in the medium term and is working on a range of strategies to address this position. Work will continue into 2019. One of the challenges around the funding position is that the Council is not aware of what Government funding it will receive beyond 2019/20. These figures could have a significant impact on the size of the gap.

Corporate performance

The annual report for 2018/19 will be published in August. It will show that the Council has achieved 88% of its targets which is very good performance. The areas where the Council is below target includes:

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- Average no of delayed days transfer of care (DToC) per 100,000 – performance was 6.5 days compared to a target of 4.9 days. This is a challenging target as Rutland's rates are still low relative to the national average. Performance was skewed by a number of complex cases.
- % of children becoming subject to a Child Protection Plan for a second time within the previous 2 years – our performance is at 55% above the target of 15%. Although the current figure is above target, it refers to only 2 families.
- Number of contacts progressed within one working day (after a child is referred to us) – performance was 90% compared to a target of 90% owing to delays, usually in the chidls best interest, where further information is required.
- % of waste sent for recycling – this was slightly below target at 56% and we are we are undertaking a further information campaign to help residents.
- Number of fly tipping incidents – this was 11 below target at 340. We have recently issued our first fixed penalty notice for fly tipping offences and are developing an environmental enforcement policy.

Information Governance and related issues

The General Data Protection Regulations (GDPR) came into effect in May 2018. In October 2018 an internal audit took place of the Councils GDPR arrangements with an outcome of 'Good'.

In August 2018 the Investigatory Powers Commissioner's Office (IPCO) undertook an inspection into the Councils Regulations of Investigatory Powers (RIPA) arrangements. The Council was found to have a positive approach to RIPA and to be demonstrating a level of compliance that removed the requirement for a physical inspection to take place. The following matters were identified as requiring attention:

- Review of the RIPA Policy
- A review of those staff currently trained with regard to RIPA

A full review of the Policy has been completed and was approved by Cabinet on 19 February 2019. Training is planned to take place in June 2019 for all relevant Officers.

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

Requirements cover:

- Confidentiality and data protection.
- Information security.
- Records management.
- Training
- Staff Responsibilities

The Council submitted the 2018/19 assessment in March 2019 and is awaiting feedback.

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Fraud and whistle blowing

Two whistle blowing allegations was registered during 2018/19 one of which was investigated by Internal Audit and was unfounded. We have also been referred another matter which is being discussed with other agencies.

We were the victims of theft in year when cash boxes in three ticket machines in Oakham were broken into on 13 November resulting in a loss of a few hundred pounds in addition to the cost of repairing the damaged machines.

We have also provided proactive advice to residents as we have become aware of issues. For example, we warned residents not to respond to unsolicited emails offering refunds for an overpayment from HM Revenue & Customs.

Project Management

The Council has a project management framework which includes the role of the Project Management Office, a scalable Project Management methodology and Project Management support. The Council updated its Project Management methodology in the year through the Audit and Risk Committee to reflect the importance of assessing corporate projects up front to identify 'very high' risk projects and establishing appropriate governance arrangements over them. Training will be provided to both Members and Officers in due course.

All project progress is also being monitored through SMT to understand progress and to overcome any potential issues/risks before they become problematic. This provides an additional layer of challenge outside of the project boards and allows for the independent escalation of issues.

The Council delivered the following projects in year.

Project	**Outcome**
Planning System Replacement – IDOX	The Planning Management System, Swift, has been replaced with the IDOX system, to improve customer experience and back office functions
Implementation of GDPR	General Date Protection Regulation has been implemented across the council and continues to be maintained
Highways System Replacement – Confirm	Highways Work Management System, Bentley Systems, has been replaced with Confirm, which will improve back office integration with the contractor (Tarmac) and improve customer queries/issues
Linking FixMyStreet to Salesforce and Confirm	The national system used to log customer issues identified on highways and streets, FixMyStreet, has been linked to Salesforce and Confirm to ensure there is a consistent view of the customer and how the Council interact with them.
Streetscene System Replacement – Salesforce	The Streetscene Management system, Flare, has been replaced with Salesforce, enabling a single view of the customer and the improved management of customer requests/issues

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Project	Outcome
Parking Permit System Replacement – Saleforce	The Parking Permit Management system , Flare, has been replaced with Salesforce, to improve the customer application experience and improve back office functions
Waste System Replacement – Salesforce	The Waste Management system, Flare, has been replaced with Salesforce, enabling a single view of the customer and the improved management of customer requests/issues
Public Protection Outsource	The Public Protection service has been fully outsourced to Peterborough City Council, including the Flare System
Green Waste Collection System	New system implemented to register green waste collection subscriptions and take payment

Data Incidents

Between April 2018 and March 2019, 27 reports of potential data breaches were made. Due to the introduction of GDPR, the importance of reporting potential data breaches raised staff awareness, this caused an increase in reporting. All were investigated to satisfactory conclusion with actions and recommendations completed to mitigate further incidents of a similar nature. 3 data breaches were escalated to the Information Commissioners Office (ICO) in all cases the Council were found to have taken the appropriate measures with no further action was required.

Business Continuity

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

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

The business continuity plans also consider the loss of key suppliers across areas, the impact on services and how quickly service provision can be restored through alternative arrangements.

Current controls include the following:

- A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required.
- A Major Incident Plan has been prepared which defines a structure to confirm the nature and extent of any incident, take control of the situation, contain the incident and communicate with stakeholders.
- 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
- Contract Procedure Rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately

The Council has undertaken two desktop exercises in Quarter 3 of 2018/19. An internal desktop exercise with Council officers was undertaken where officers tested how our plans would be used in the event of the loss of our headquarters at Catmose.

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A wider exercise was undertaken with the wider LLR Resilience Forum focusing on a Control of Major Accident Hazard (COMAH) incident. This allowed partners to review the internal and external COMAH plans, record learning points to inform the revision of the plans and to practice the response of LLR Prepared agencies. This highlighted some areas where documentation needs to be amended or extended.

Alongside these exercises, the Council's Resilience Officer has attended every second SMT meeting to provide refresher training on key aspects of emergency planning and to share learning from real incidents such as the Hinckley Road explosion.

Management Assurance

Managers have all completed an assurance statement highlighting whether there may be controls issues in their areas. As expected, there are areas where improvements are required as identified through audit reports or other work. None of the issues raised are considered to be 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 2017/18 gave the Council an unqualified conclusion on the Statement of Accounts and Value for Money opinion. No concerns were reported regarding the Council's arrangements for securing financial resilience.

Audit by the Children's Commissioner's new Stability Index

A child/young person looked after, also often referred to as a child in care, is defined as any child who has been in the care of their local authority for more than 24 hours. The Stability Index tracks placement changes, school moves and changes in social workers for children looked after across the country to understand the type and scale of instability experienced by these children.

The results of the audit show that Rutland is performing better than national and regional averages for almost all key measurements and follow changes made by the Council's Children's Social Care department to working practices and recruitment.

Rutland had levels of single year placement instability 5% lower than the national average and 3% lower than the regional average.

Integrated health and social care services for residents -national rankings released by the Department of Health and Social Care (DHSC)

The DHSC's Performance Dashboard for Health and Social Care looks at every local authority in England and measures how well they perform in a number of key areas where health and social care work closest together. This includes emergency admissions to hospital, length of stay and whether people are delayed when ready to be discharged home.

Each local authority is assessed on their performance in six individual areas then given an overall ranking. Rutland is currently first out of 152 local authorities in the National Average Weighted Ranks. Information can be accessed on the link below:

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https://www.gov.uk/government/publications/local-area-performance-metrics-and-ambitions

OFSTED Inspection of Rutland Adult Learning and Skills Service (RALSS)

RALS has been rated 'Good' by Ofsted following its latest scheduled inspection. An intensive two-day inspection was carried out at RALSS in April 2018. Inspectors noted:

- the RALSS curriculum specifically meets the needs of local communities
- teaching staff are highly qualified and enthusiastic about their subjects
- service users comment on the high quality teaching and learning they receive
- tutors have high expectations of their learners
- the standard of work by many learners is high

Success rates for RALSS learners are well above the national average:

- GCSE success rate for all learners of 97%
- All RALSS qualification success rate of 92%
- Apprenticeships success of 79%
- Community Learning 93% success

In March 2019, an inspector from JCQ (Joint Council for Qualifications) attended the RALSS to review Access Arrangements. This inspection was an unscheduled "spot check" and after reviewing processes and arrangements concluded that our procedures were excellent and fit for purpose.

REACH

A scheduled inspection by the Care Quality Commission (CQC) rated Rutland's REACH service as being 'Good' in all areas.

REACH (Rutland Enablement, Assessment, Crisis Response and Hospital discharge) supports elderly and disabled people in their own homes – helping them to regain their health and confidence after a serious illness or injury.

The CQC reviewed Rutland's REACH and reablement service in December 2018 to make sure it is meeting the required standards and providing a good level of care.

Inspectors carried out a review to assess whether the service is safe, effective, caring and responsible. This included speaking directly to service users, family members, care staff, managers and other integrated services.

Having completed its assessment, the CQC has now published a full report (link below) which rates REACH as 'Good' in all areas.

https://www.cqc.org.uk/location/1-4615944581

OFSTED

The Council received a focused OFSTED visit in March 2019. The outcome was very positive although there are still some areas to work on.

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“The recently appointed director of children’s services and his senior leadership team are ambitious for children in Rutland. They have a realistic understanding of service strengths and areas that still require improvement. The local authority has a permanent, stable and motivated workforce. Responses to child protection concerns are prompt. Investigations relating to allegations about professionals are thoroughly investigated by the designated officer, and responses to children at risk of exploitation are improving. Although audits are thorough, highlighting both strong and weaker practice, they are not having sufficient impact on individual social work learning and practice, and ultimately on outcomes for children. The quality of assessments and plans remains variable. In less urgent situations, children are not always seen promptly or regularly, resulting in a delay in their needs being assessed and met. While social workers report feeling well supported by their managers, supervision is not sufficiently challenging or focused on the impact on children.”

Adoption Services

National adoption scorecards are published by the Department for Education (DfE) and show the amount of time taken by local authorities to find a home for children in need of adoption.

The latest DfE review looked at the performance of 152 local authority areas in England between 2015 and 2018 and found that Rutland had met important national targets for time taken to match and place children with an adoptive family.

This has helped to reduce unnecessary delays and improve the experience of children and families who go through the adoption process.

Public Services Network compliance

The Council must demonstrate compliance with the Public Services Network (PSN) on an annual basis. The PSN is an information assurance mechanism to support the connection of the Council’s network to other PSN accredited networks, without increasing or substantially changing the risks to the already accredited network. The Council undertakes an IT Security Health-Check annually (carried out by an accredited third party) to identify any compliance issues. Once these have been addressed, the Council completes a PSN renewal submission. The Council is now fully compliant until July 2019.

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 no significant governance issue arising.

5. Significant Governance Issues

There are no significant issues to report.

6. 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.

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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:	
Helen Briggs, Chief Executive	Signed: Oliver Hemsley, Leader of the Council
Date: 30th July 2019	Date:: 31/7/19

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rutland County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, statement of accounting policies and notes to the financial statements. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director of Resources's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director of Resources. The Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of two objections brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements or on our

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conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

30 July 2019

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