



# Rutland County Council

## Statement of Accounts

2021/22

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## Statement of Accounts 2021/22

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# Narrative Report

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

I have prepared this Narrative Report to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2022. My intention in producing this report is to give electors, local residents, Council Members, partners, stakeholders, and other interested parties the assurance that the public money received and spent has been properly accounted for and that the financial position of the Council is secure in the short term. This report also gives a brief summary of the overall financial position of the Council, details of how the Council's budget is spent and financed and explains 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 2021/22
  - b. Key Events affecting the Council in 2021/22 and a look ahead to future years
  - c. Review of financial performance in 2021/22
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.

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

The population of the county is 40,476 (source: ONS, 2020 mid-year estimates). The demographics for the county show that 25.5% of the County is 65 or over. The area is relatively affluent when compared with other areas of England, with only small pockets of deprivation. This is shown in the overall employment rate of the working age population in Rutland of 75.4% compared to the East Midlands average of 74.1%. The make-up of the county's population shapes the delivery of services by the Council, with the aims and objectives of the Council being set to meet to the needs of its residents.

The Council, as a Unitary Authority, provides all county council and district council services (see the pie chart 'What services have been provided with the money' in Section 3 below for a summary). As of 1st April 2021, the political composition of the Council's Groups was as follows: 15 Conservative, 6 Independent and Green, 3 Liberal Democrats and 3 non-aligned. There were a number of changes to the political composition of the Council throughout the year, and these are covered below.

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

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

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

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

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

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

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

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

The Council has a performance management framework through which quality of service and use of resources is measured. Financial and non-financial performance is monitored by Service Teams and Corporate Leadership Team on a regular basis and is formally reported to Scrutiny Panels and Cabinet throughout the year.

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

The Council's annual report can be found here

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

## 2. Financial Performance

### a) Impact of the Coronavirus on the Council

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

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

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

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

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

- **Financial** – the Council received funding to deal specifically with the response, some of which it was required to passport to providers. In general, funding has been sufficient to cover any short-term costs. In terms of key income generating services then income was impacted but towards the end of March income levels started to return to pre Covid levels. The collection rate for council tax has held up but additional support was provided to the most financially vulnerable. Business rates income has not dropped as many businesses enjoyed rate relief and again this will be monitored into 22/23. Towards the end of the year, we began to see significant inflationary pressures (energy, staff costs from National Living Wage and National insurance rises) from suppliers as the cost-of-living crisis kicked in but it is difficult to attribute this solely to the pandemic.
- **Operational impacts** – with key services originally stopped and resources diverted, officers have now reinstated key services and are catching up on backlogs. To date, it has been difficult to point to significant impacts, but the position continues to be monitored.

## **Key Issues that have influenced the Financial Position for 2021/22**

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

The Council maintained a rolling capital programme with new schemes added in 2021/22 based on known and forecast levels of external funding for capital schemes and an assessment of the resources likely to be available from asset disposals.

The impact of the capital programme and its financing was included within the Medium-Term Financial Plan (MTFP) e.g., cost of external borrowing. Taking into account all the known factors the projected financial position at the end of the period of the MTFP remained sound but showed an increasingly challenging position with the Council forecasting to spend more than the resources available in the later years of the plan.

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

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

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

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

The Council's net pension liability for the Local Government Pension Scheme has decreased from £57.6 million to £42.1m in the year to 31 March 2022. There are two main elements that create this liability, the value of assets held by the pension fund, and the estimated future demands for pension payments. The value of assets has increased by £11.2 million during the year, but at the same time liabilities have decreased by £4.2 million.

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

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

In May possible savings, reviewed by Scrutiny Committees were recommended to Full Council following Cabinet approval, covering three main areas: 1) Administrative savings: reducing overheads by changing working practises to create a saving of £185,000; 2) Revised Council offer: A revision to the Council's offer to the public or staff, creating a saving of £422,000; 3) Changes in Funding Assumptions: No change to the Council's offer but proposed changes to how some services are funded to create a saving of £604,000. The impact of these changes was to reduce reliance on reserves as far as possible both in 21/22 and future years.

Rutland County Council appointed Mark Andrews to the role of Chief Executive Officer (Head of Paid Services) in early 2021/22. Mr Andrews was appointed as Rutland's Interim Chief Executive on 29 June 2020. Following a 12-month interim period, the Council's Chief Officer Appointment Committee was

convened on 30 April 2021 and recommended that he be appointed permanently to the role of Chief Executive. This appointment was officially confirmed by unanimous vote at a Special Full Council meeting on Monday 7 June.

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

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

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

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

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

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

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

Following the withdrawal of the Local Plan in November, the Council created a cross-party working group of councillors representing each of Rutland County Council's three political groups as part of the early stages of developing a new Local Plan for the area. The cross-party group is chaired by the Chief Executive, Mark Andrews, and will act as an advisory board to the officers developing and delivering the Local Plan. It will meet on a monthly basis to provide guidance and monitor the implementation of the Local Plan process, as well as identifying any issues that may arise and discussing solutions.

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

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

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

### c) Review of Financial Performance in 2021/22

In February 2021, the Council set out its MTFP that took into account assumptions on levels of council tax and government support, inflationary and demand led spending pressures and the impact of its capital programme over a 5-year period.

The Council set two key financial priorities for 21/22:

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

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

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

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

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

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

- c£1.081m of planned savings. With savings already built into the 22/23 budget based on "underspends" to be achieved in 21/22, it was imperative that the Council delivered these planned savings of just over £1m.

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

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

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

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

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

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

Emerging pressures in 22/23 comprise:

- transfer of £1m from the General Fund to meet historical special educational needs costs as the Government has indicated that the Council will be responsible for these.
- a £150k payment to exit the leisure lease at Catmose College.
- demand for key services continues to be volatile as shown in the Outturn and early signs for 22/23 indicate pressures in social care (current projections indicate a £520k pressure). Continued pressures in areas like transport mean additional cost of £300k are expected.
- the cost-of-living crisis experienced by households applies equally to us. Utility costs are expected to increase by £250k and inflation on key contracts is expected to be £210k.
- labour shortages are expected to accelerate pay inflation and an increase of our pay provision from 2% to 4% could cost c£347k – the pay award is not negotiated for 21/22 but the Council has been informed that 2% will not be sufficient.
- workload pressures from business as usual or new responsibilities (e.g., implementing the care cap, preparing for a new Care Quality Commission inspection regime in adult social care) that the Council has to prepare for are emerging and will need to be funded (albeit some will be offset by new burdens funding). Estimated costs are £535k.

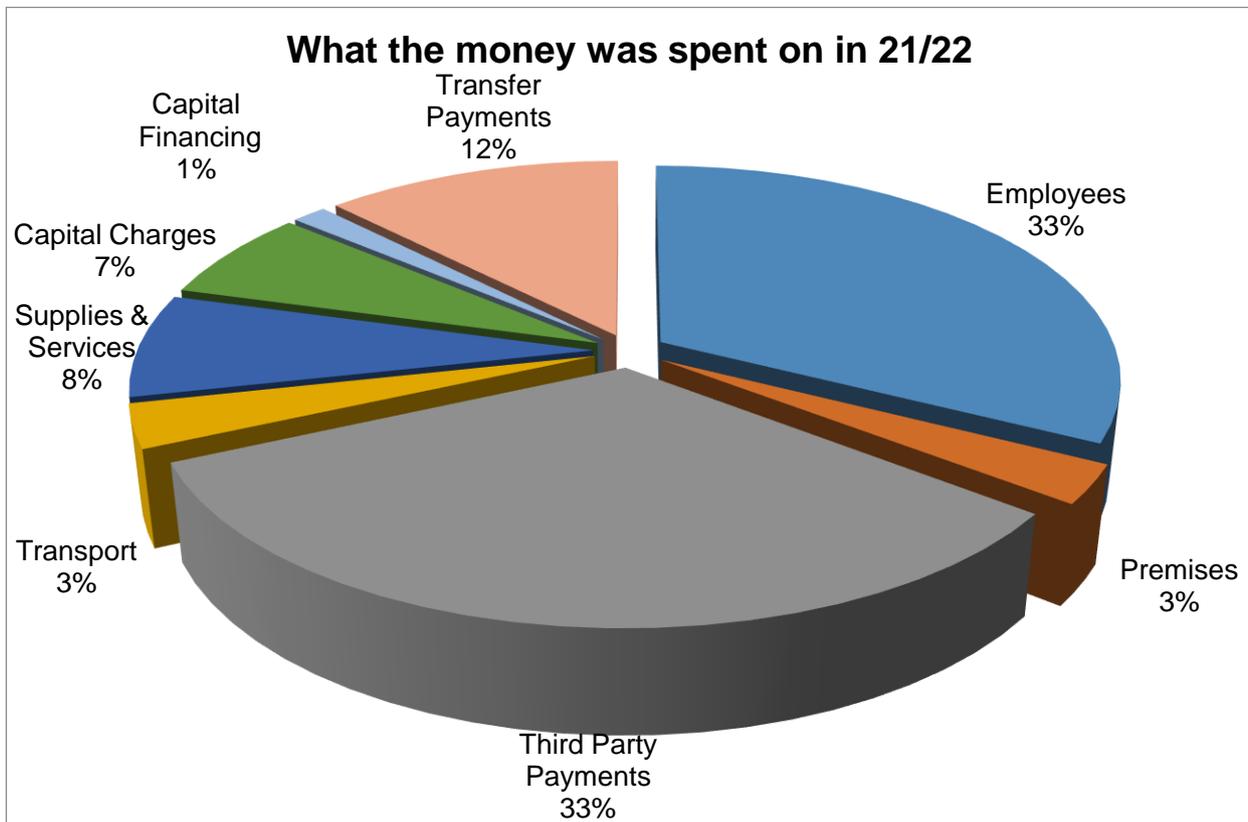
- the expected rise in inflation will see our investment income increase to pre pandemic levels giving us a projected extra £100k.

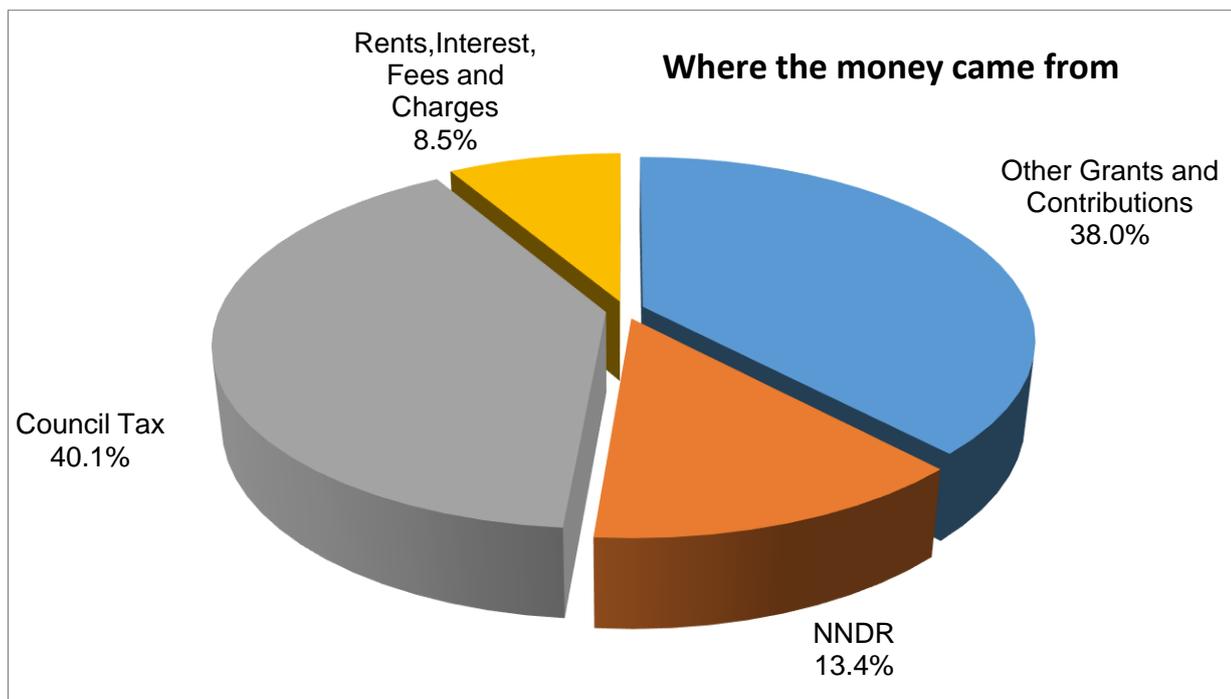
Beyond 22/23m the Council's position looks very challenging. The impact of the cost-of-living crisis, potential for a significant pay award and the reprocurement of significant contracts at the time of rising costs present a significant challenge to the Council's financial position. The future outlook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

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

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

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





### General Fund Revenue Account

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

<b>General Fund</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net cost of Services	42,862	38,678	(4,184)
Other Operating costs	(985)	(802)	183
<b>Net Operating Expenditure</b>	<b>41,877</b>	<b>37,776</b>	<b>(4,001)</b>
Financing	(41,557)	(40,838)	719
<b>(Surplus)/Deficit for year</b>	<b>320</b>	<b>(3,062)</b>	<b>(3,282)</b>

### Capital

Capital Expenditure relates primarily to spending on Council assets (i.e., an item with an expected life of more than one year). Overall, the expenditure during the year was £6.508m, with a total approved capital project budget of £33.672m with £10.456m declared as an underspend due to a number of projects being on hold at the year-end (£10.371m).

Expenditure was funded from external grants and contributions (£6.076m), Capital Receipts (£0.179m) and Developer Contributions (£0.253m).

<b>Capital Programme – Approved Projects</b>	<b>Total Project Budget £000</b>	<b>Prior Year Actuals £000</b>	<b>Outturn 2021/22 £000</b>	<b>Future Year Outturn £000</b>	<b>Estimated Outturn £000</b>	<b>Total Project Variance £000</b>
Asset Management Requirements	11,193	553	4,684	5,845	11,082	(110)
Strategic Aims and Priorities	8,769	5,181	489	3,095	8,765	(4)
<b>Total</b>	<b>19,962</b>	<b>5,734</b>	<b>5,173</b>	<b>8,940</b>	<b>19,847</b>	<b>(114)</b>

### 3. Principal Risks and Uncertainty

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

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

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

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

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

#### 4. Further Information

Further information about these accounts is available from:

<p>Mr Saverio Della Rocca Strategic Director for Resources (Chief Financial Officer) Rutland County Council Oakham Rutland LE15 6HP <a href="mailto:sdellarocca@rutland.gov.uk">sdellarocca@rutland.gov.uk</a></p>	<p>Mr Andrew Merry Head of Finance Rutland County Council Oakham Rutland LE15 6HP <a href="mailto:amerry@rutland.gov.uk">amerry@rutland.gov.uk</a></p>
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Information on the Councils services and activities can also be located on our website: [www.rutland.gov.uk](http://www.rutland.gov.uk)

# Statement of Responsibilities

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## The Council's Responsibilities

The Council is required to:

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

## Chairman's Approval of the Statement of Accounts

Cllr Alan Walters

## The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

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



Mr S Della Rocca  
Strategic Director for Resources (Chief Financial Officer)

## Comprehensive Income and Expenditure Statement (CIES)

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

<b>Gross Expenditure</b>	<b>2020/21 Gross Income</b>	<b>Net Expenditure</b>	<b>Comprehensive (Income) &amp; Expenditure Statement (CIES)</b>		<b>Notes</b>	<b>Gross Expenditure</b>	<b>2021/22 Gross Income</b>	<b>Net Expenditure</b>
£000	£000	£000				£000	£000	£000
33,929	(15,527)	18,402	People			37,846	(18,183)	19,663
20,325	(5,968)	14,357	Places			19,630	(4,700)	14,930
11,523	(4,205)	7,318	Resources			11,567	(4,266)	7,301
<b>65,777</b>	<b>(25,700)</b>	<b>40,077</b>	<b>Cost of Services</b>			<b>69,043</b>	<b>(27,149)</b>	<b>41,894</b>
2,876	(192)	2,684	Other Operating Expenditure	9		1,673	(449)	1,224
1,979	(257)	1,722	Financing & Investment Income & Expenditure	10		2,260	(117)	2,143
269	(49,171)	(48,902)	Taxation & Non-Specific Grant Income	11		185	(45,994)	(45,809)
<b>70,901</b>	<b>(75,320)</b>	<b>(4,419)</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>73,161</b>	<b>(73,709)</b>	<b>(548)</b>
		(2,375)	Surplus on Revaluation of property, plant, and equipment					80
		15,625	Re-measurements of the net defined benefit liability (asset)					(19,759)
		<b>13,250</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>					<b>(19,679)</b>
		<b>8,831</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>					<b>(20,227)</b>

## Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 01 April 2021</b>	11,513	19,581	1,442	7,184	39,719	(4,659)	35,060
In-year adjustment to correct opening balances	(5)	2	1	-	(1)		35,060
<b>Restated Balance at 01 April 2021</b>	11,508	19,583	1,443	7,184	39,718	(4,659)	35,060
Surplus / (Deficit) on Provision of Services	548	-	-	-	548		548
Other Comprehensive Income & Expenditure						19,679	19,679
<b>Total Comprehensive Income &amp; Expenditure</b>	548	-	-	-	548	19,679	20,227
Adjustments between accounting basis and funding basis under regulations (Note 13)	1,931	1,234	148	26	3,339	(3,339)	-
<b>Net Increase/(Decrease) before transfers to or from Earmarked Reserves</b>	2,479	1,234	148	26	3,887	16,340	20,227
Transfers to / (from) Reserves	(658)	655	-	3	-	-	-
<b>Increase/(Decrease) in 2021/22</b>	1,821	1,889	148	29	3,887	16,340	20,227
<b>Balance 31 March 2022</b>	13,329	21,472	1,591	7,213	43,605	11,682	55,287

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

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 19, line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2021 £000</b>	<b>Balance Sheet</b>	<b>Notes</b>	<b>31 March 2022 £000</b>
75,074	Property, Plant & Equipment	17	75,305
183	Intangible Assets	23	53
132	Long Term Debtors	22	117
<b>75,389</b>	<b>Long Term Assets</b>		<b>75,475</b>
83	Inventories ( <i>Salt Stocks</i> )		116
33,570	Short Term Investments	15	47,035
7,624	Short Term Debtors	22	4,373
8,707	Cash & Cash Equivalents	29	7,732
<b>49,984</b>	<b>Current Assets</b>		<b>59,256</b>
(9,240)	Short Term Creditors	24	(13,246)
(1,406)	Provisions	25	(2,054)
<b>(10,646)</b>	<b>Current Liabilities</b>		<b>(15,300)</b>
(22,115)	Long Term Borrowing	15	(22,047)
(57,552)	Other Long-Term Liabilities	31	(42,097)
<b>(79,667)</b>	<b>Long Term Liabilities</b>		<b>(64,144)</b>
<b>35,060</b>	<b>Net Assets</b>		<b>55,287</b>
(39,718)	Usable Reserves	13	(43,605)
4,658	Unusable Reserves	13	(11,682)
<b>(35,060)</b>	<b>Total Reserves</b>		<b>(55,287)</b>

## 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.

<b>31 March 2021 £000</b>	<b>Cash Flow Statement</b>	<b>Notes</b>	<b>31 March 2022 £000</b>
(4,419)	Net (Surplus)/Deficit on the Provision of Services		(548)
(2,884)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	26	(15,123)
1,587	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	5,305
<b>(5,716)</b>	<b>Net Cash Flow from Operating Activities</b>		<b>(10,367)</b>
(404)	Investing Activities	27	12,111
2,726	Financing Activities	28	(770)
<b>(3,394)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>975</b>
(5,313)	Cash and cash equivalents at the beginning of the reporting period	29	(8,707)
<b>(8,707)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	29	<b>(7,732)</b>

# Notes to the Accounts

## 1. Expenditure and Funding Analysis

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

<i>Net Expenditure Chargeable to the General Fund</i>	<i>Move Covid Income &amp; Expenditure into/out of Service Lines as CIES</i>	<i>2020/21 Adjustments between Funding Basis and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>	<i>Expenditure and Funding Analysis</i>	<i>Net Expenditure Chargeable to the General Fund</i>	<i>2021/22 Move Covid Income &amp; Expenditure into/out of Service Lines as CIES</i>	<i>Adjustments between Funding basis and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>
£000	£000	£000	£000		£000		£000	£000
18,347	(753)	808	18,402	People	18,642	(920)	1,941	19,663
13,677	(2,104)	2,784	14,357	Places	13,906	(37)	1,061	14,930
7,295	(284)	307	7,318	Resources	6,729	-	572	7,301
1,824	(1,824)	-	-	*COVID-19 Income & Expenditure as in Outturn report	(599)	599	-	-
(4,988)	4,988	-	-	*COVID-19 Grants as in Outturn report	-	-	-	-
<b>36,155</b>	<b>23</b>	<b>3,899</b>	<b>40,077</b>		<b>38,678</b>	<b>(358)</b>	<b>3,574</b>	<b>41,894</b>
-	2,298	386	2,684	Other Operating Expenditure	-	436	788	1,224
1,391	-	331	1,722	Financing & Investment Income & Expenditure	1,531	-	612	2,143
(39,778)	(2,321)	(6,803)	(48,902)	Taxation & Non-Specific Grant Income	(43,271)	(479)	(2,059)	(45,809)
<b>(2,232)</b>	<b>-</b>	<b>(2,187)</b>	<b>(4,419)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(3,062)</b>	<b>(401)</b>	<b>2,915</b>	<b>(548)</b>
<b>(9,277)</b>				Opening General Fund Balance	<b>(11,509)</b>			
<b>(2,232)</b>				(Surplus) / Deficit on Provision of Services	<b>(3,062)</b>			
<b>(11,509)</b>				<b>Closing General Fund Balance</b>	<b>14,571</b>			

2020/21					2021/22					
<i>Adjustments for Capital Purposes</i>	<i>Net Change for Pension Adjustments</i>	<i>Other Differences</i>	<i>Covid-19 Differences</i>	<i>Total Adjustments</i>	<i>Adjustments from General Fund to arrive at the CIES Amounts</i>	<i>Adjustments for Capital Purposes</i>	<i>Net Change for Pension Adjustments</i>	<i>Other Differences</i>	<i>Covid-19 Differences</i>	<i>Total Adjustments</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>		<i>£000</i>	<i>£000</i>	<i>£000</i>		<i>£000</i>
264	548	(4)	(753)	55	People	306	1,637	918	(920)	1,941
2,521	262	1	(2,104)	680	Places	2,516	810	(2,228)	(37)	1,061
180	227	(100)	(284)	23	Resources	104	629	(161)	-	572
			3,164	3,164	*Covid 19 Income & Expenditure			(599)	599	-
<b>2,965</b>	<b>1,037</b>	<b>(103)</b>	<b>23</b>	<b>3,922</b>	<b>Cost of Services</b>	<b>2,926</b>	<b>3,076</b>	<b>(2,070)</b>	<b>(358)</b>	<b>3,574</b>
(74)		459	2,298	2,684	Other Operating Expenditure	-	-	352	436	788
(615)	930	16		331	Financing & Investment Income & Expenditure	(615)	1,211	16	-	612
(10,221)		3,418	(2,321)	(9,124)	Taxation & Non-Specific Grant Income	(1,990)	-	410	(479)	(2,059)
<b>(7,945)</b>	<b>1,976</b>	<b>3,790</b>	<b>-</b>	<b>(2,187)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>321</b>	<b>4,287</b>	<b>(1,292)</b>	<b>(401)</b>	<b>2,915</b>

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

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

2020/21	Expenditure / Income Analysed by Type	2021/22
£000		£000
	<b>Expenditure</b>	
19,583	Employee Benefits	22,397
42,700	Other Service Expenditure	42,742
5,843	Capital Charges	4,994
1,979	Interest Payments	2,230
796	Precepts and Levies	798
-	Loss on the Disposal of Assets	-
<b>70,901</b>	<b>Total Expenditure</b>	<b>73,161</b>
	<b>Income</b>	
(4,763)	Fee, Charges, and other Service Income	(6,136)
(257)	Interest & Investment Income	(117)
(40,037)	Income from Council Tax and Business Rates	(39,394)
(30,184)	Government Grants & Contributions	(27,921)
(79)	Gain on the Disposal of Assets	(141)
<b>(75,320)</b>	<b>Total Income</b>	<b>(73,709)</b>
<b>(4,419)</b>	<b>Total</b>	<b>(548)</b>

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

<b>Covid Impact on the CIES 2021/22</b>	<b>Net Expenditure in the CIES</b>	<b>Remove COVID-19 Expenditure</b>	<b>Remove COVID-19 Grant Income</b>	<b>Remaining Net Council Expenditure</b>
<b>Line in Comprehensive Income &amp; Expenditure Statement</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People	19,663	(847)	1,767	20,583
Places	14,930	-	38	14,968
Resources	7,301	-	-	7,300
<b>Cost of Services</b>	<b>41,894</b>	<b>(847)</b>	<b>1,805</b>	<b>42,852</b>
Other Operating Expenditure	1,224	(730)	293	787
Financing & Investment Income & Expenditure	2,143	-	-	2,143
Taxation & Non-Specific Grant Income	(45,809)	-	479	(45,330)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(548)</b>	<b>(1,577)</b>	<b>2,577</b>	<b>452</b>
Surplus on Revaluation of property, plant, and equipment	80	-	-	80
Re-measurements of the net defined benefit liability (asset)	(19,759)	-	-	(19,759)
<b>Other Comprehensive (Income) &amp; Expenditure</b>	<b>(19,679)</b>	<b>-</b>	<b>-</b>	<b>(19,679)</b>
<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>(20,227)</b>	<b>(1,577)</b>	<b>2,577</b>	<b>(19,227)</b>

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

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

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

## 2. Members Allowances

The following amounts were paid to members of the Council.

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

## 3. Related Parties

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

### Central Government

Central Government has effective influence over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the authority has with other parties, e.g., council tax bills and housing benefits. Grants received from Government departments are set out in the subjective analysis in Note 1 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2022 are shown in Note 12.

### Members of the Council

Members of the Council have direct control over the authority's financial and operating policies. The total of Members allowances paid in 2021/22 is shown in Note 2. During 2021/22, no significant works and services were commissioned from parties where Members had an interest.

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

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

### Officers of the Council

Officers who have any influence over the authority's financial operations are required to make an annual declaration of any material transactions they or their immediate family have with the authority. There were no transactions in 2021/22 that are considered material and would require their disclosure.

#### 4. Officers Remuneration

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

Officers Remuneration	Year	Salary £000	Agency/ Recharge £000	Expense Allowance £000	Pension Contribution £000	Total £000
Chief Executive (1)	2021/22	134,761			26,278	161,039
	2020/21	58,311	-	-	11,371	69,682
	2020/21	88,198	-	-	17,199	105,397
Strategic Director of Peoples (2)	2021/22	-	-	-	-	-
	2020/21	34,847	-	-	6,795	41,642
Director of Adult Services (2)	2021/22	91,712	-	-	17,884	109,596
	2020/21	58,890	-	-	11,483	70,373
Director of Childrens Services (2)	2021/22	91,712	-	-	17,884	109,596
	2020/21	58,875	-	-	11,481	70,356
Strategic Director of Places	2021/22	94,083	-	-	18,346	112,429
	2020/21	92,693	-	-	18,075	110,768
Director of Resources	2021/22	94,083	-	-	18,346	112,429
	2020/21	92,693	-	-	18,075	110,768
Deputy Director of Resources (3)	2021/22	51,208	64,380	-	9,614	125,202
	2020/21	81,788	-	-	15,949	97,737
Director of Public Health (4)	2021/22	-	35,455	-	-	35,455
	2020/21		37,464	-		37,464
Head of Communications (5)	2021/22	22,698	-	-	4,246	26,944
	2020/21	68,652	-	-	13,387	82,039
Head of Corporate Services (5)	2021/22	65,140	-	-	12,702	77,842
	2020/21	-	-	-	-	-
<b>TOTAL</b>	<b>2021/22</b>	<b>645,397</b>	<b>99,835</b>		<b>125,300</b>	<b>870,532</b>
	<b>2020/21</b>	<b>634,947</b>	<b>37,464</b>	-	<b>123,815</b>	<b>796,226</b>

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

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

(3) Deputy Director of Resources left on 25/07/21. Interim support was appointed through and agency from 27/09/21.

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

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

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

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

## 5. Termination Benefits

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

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

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

## 6. External Audit Costs

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

2020/21 £000	External Audit Costs	2021/22 £000
77	*Fees payable with regard to external audit services carried out by the appointed auditor for the year	75
14	Fees payable for the certification of grant claims and returns for the year	18
-	Fees payable in respect of other services provided by the appointed auditor during the year	-
<b>91</b>	<b>Total</b>	<b>93</b>

\*The fees in the above note reflect the agreed fees as per the Audit Plan. The council paid £2.5k in 2021/22 towards additional costs incurred on the previous year's audit.

## 7. Dedicated Schools Grant (DSG)

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

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

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

DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance (England) Regulations. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. The deficit carry-forward for 2020/21 was £388k which was taken to a new unusable reserve on the balance sheet. The 2021/22 deficit of £692k has been added to the unusable reserve.

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

## 8. Pooled Funds

Under the terms of a Section 75 Agreement (Health Act 2006), the authority's social services department has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups (CCGs) covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2021/22 was £6.583 million (£5.895 million in 2020/21) of which Rutland County Council contributed £0.07 million (£0.07 million 2020/21). Total expenditure from the pool was £6.583 million (£5.895 million 2020/21).

### **Better Care Fund (BCF) – Pooled Budget**

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

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

The Council is holding £1.287m (£1.074m in 2020/21) in a BCF earmarked reserve which will be spent on BCF projects in future years.

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

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

Mr S Della Rocca  
Strategic Director - Resources (CFO)

## 9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2020/21 £000	Other Operating Expenditure	2021/22 £000
796	Parish Council Precepts	799
96	External Levies	95
(74)	Net (Gains)/Losses on Disposal of Non-Current Assets	(106)
1,866	Covid Expenditure*	436
<b>2,684</b>	<b>Total</b>	<b>1,224</b>

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

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

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

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

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

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

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

## 12. Grant Income

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

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

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

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if they are not used in accordance with those conditions. These grants are included within Creditors. The balances at the year-end are as follows:

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

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

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

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

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

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

- **General Fund Balance** - is the statutory fund into which all the receipts of an authority are required to be paid in and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.
- **Capital Receipts Reserve** – holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- **Capital Grants Unapplied Account** – holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

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

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

#### Summary of Usable and Unusable Reserves

31 March 2021 £000	Summary of Usable & Unusable Reserves	In-Year Adjustment	1 April 2021 £000	Movement £000	31 March 2022 £000
	<b>Usable Reserves</b>				
11,509	General Fund Balance	(1)	11,508	1,821	13,329
625	*School Balances		625	147	772
18,958	Specific Reserves (Note 14)		18,958	1,742	20,700
1,442	Capital Receipts Reserve	1	1,443	148	1,591
7,184	Capital Grants		7,184	29	7,213
<b>39,719</b>	<b>Total Usable Reserves</b>		<b>39,719</b>	<b>3,887</b>	<b>43,605</b>
17,352	Revaluation Reserve		17,352	(298)	17,054
38,689	Capital Adjustment Account		38,689	999	39,688
13	Deferred Capital Receipts		13	(9)	4
28	Financial Instruments		28	(16)	12
(57,552)	Pension Fund Reserve		(57,552)	15,455	(42,097)
(2,606)	Collection Fund Adjustment		(2,606)	908	(1,698)
(195)	Account				
	Accumulating Compensated				
	Absences Adjustment Account		(195)	(6)	(201)
(388)	Dedicated Schools Grant		(388)	(693)	(1,081)
	Adjustment Account				
<b>(4,659)</b>	<b>Total Unusable Reserves</b>		<b>(4,659)</b>	<b>16,340</b>	<b>11,682</b>
<b>35,060</b>	<b>Total Reserves</b>		<b>35,060</b>	<b>20,227</b>	<b>55,287</b>

Adjustments between Accounting Basis & Funding Basis Under Regulations 2021/22	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the capital adjustment account:</b>					
<u>Reversal of items debited or credited to the CIES:</u>					
Charges for depreciation and impairment of non-current assets	2,673	-	-	-	(2,673)
Revaluation losses on Property, Plant and Equipment	102	-	-	-	(102)
Capital grants & contributions applied	(4,803)	-	(72)	(218)	5,093
Capital Receipts Applied	(32)	-	-	-	32
Revenue expenditure funded from capital under statute	2,168	-	-	-	(2,168)
Amounts of non-current assets written off on derecognition	50	-	-	-	(50)
Statutory provision for the financing of capital investment	(615)	-	-	-	615
Capital expenditure charged against the general fund	(48)	-	-	-	48
<b>Adjustment primarily involving the Capital Grants Unapplied Accounts</b>					
Capital grants & contributions unapplied	(246)	-	-	246	-
<b>Adjustments primarily involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(123)	123	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	10	-	-	(10)
Repayment of Capital Loan	-	15	-	-	(15)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-
<b>Adjustment primarily involving the Section 106 Reserve</b>					
Section 106 contributions unapplied transferred to reserves	(1,361)	-	1,361	-	-
Use of the Section 106 reserves to finance revenue expenditure	55	-	(55)	-	-
<b>Adjustments primarily involving the Financial Instruments Account</b>					
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	16	-	-	-	(16)
<b>Adjustment primarily involving the Pension Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,370)	-	-	-	3,370
Employer's pension contributions and direct payments to pensioners payable in the year	7,674	-	-	-	(7,674)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>					
Amount by which council tax income is different from income calculated in accordance with statutory requirements	(908)	-	-	-	908
Amount by which remuneration charged to the CIES on an accruals basis is different	6	-	-	-	(6)

<b>Adjustments between Accounting Basis &amp; Funding Basis Under Regulations 2021/22</b>	<b>Usable Reserves</b>				
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>S106/Oakham North Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
from remuneration chargeable in the year in accordance with statutory requirements					
<b>Adjustments primarily involving the Dedicated Schools Grant Adjustment Account</b>					
Reporting of Schools Budget Deficit to unusable reserves	693	-	-	-	(693)
<b>Total Adjustments</b>	<b>1,931</b>	<b>148</b>	<b>1,234</b>	<b>26</b>	<b>(3,339)</b>

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

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

## 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.

<b>2020/21</b> <b>£000</b>	<b>Revaluation Reserve</b>	<b>2021/22</b> <b>£000</b>
15,168	Balance 1st April	17,352
2,998	Upward revaluation of assets	(214)
(623)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	102
(191)	Difference between fair value depreciation and historical depreciation	(186)
-	Accumulated Gain/(Loss) on assets sold or scrapped	0
<b>17,352</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>17,054</b>

### 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.

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

### 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.

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

### Capital Adjustment Account

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

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

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

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

2020/21 £000	Capital Adjustment Account	2021/22 £000
37,119	Balance at 1 April	38,688
(2,530)	Charges for depreciation and impairment of non-current assets	(2,673)
(58)	Revaluation losses on Property, Plant & Equipment	(102)
(3,222)	Revenue expenditure funded from capital under statute	(2,168)
3,167	*Grant Funding of Revenue expenditure funded from capital under statute	2,168
(15)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(18)
191	Adjusting amounts written out of the Revaluation Reserve	186
179	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	33
3,035	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,864
62	*Application of grants to capital financing from the Capital Grants Unapplied Account	64
-	Capital expenditure charged against the general Fund balance	46
719	Statutory provision for the financing of capital investment charged against the General Fund balance	615
(24)	Capital Loans	(15)
65	Use of the s106 Reserve to finance new capital expenditure	-
<b>38,688</b>	<b>Balance at 31 March</b>	<b>39,688</b>

### Pensions Reserve

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

2020/21 £000	Pensions Reserve	2021/22 £000
(39,960)	Balance 1 April	(57,552)
(15,625)	Re-measurements of the net defined benefit liability (asset)	19,759
(5,166)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,674)
3,199	Employers' pensions contributions and direct payments to pensioners payable in the year	3,370
<b>(57,552)</b>	<b>Total</b>	<b>(42,097)</b>

## Collection Fund Adjustment Account

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

<b>2020/21</b> <b>£000</b>	<b>Collection Fund Adjustment Account</b>	<b>2021/22</b> <b>£000</b>
(24)	Balance 1 April	(2,606)
(2,582)	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	908
<b>(2,606)</b>	<b>Total</b>	<b>(1,698)</b>

## 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.

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

## Dedicated Schools Grant Adjustment Account

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

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

#### 14. Movement in Reserves Statement – Transfer to/from Earmarked Reserves

This note includes the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

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

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

## 15. Financial Instruments

### Categories of financial instruments

2020/21			Financial Instruments Balances			2021/22		
<b>Non-Current Borrowings</b>	<b>Non-Current Creditors</b>	<b>Current Borrowings</b>		<b>Non-Current Borrowings</b>	<b>Non-Current Creditors</b>	<b>Current Borrowings</b>		
£000	£000	£000	<u>Financial liabilities</u>	£000	£000	£000		
(22,301)	-	(8,330)	Amortised cost	(22,233)	-	(8,273)		
<b>(22,301)</b>	<b>-</b>	<b>(8,330)</b>	<b>Total Financial Liabilities</b>	<b>(22,233)</b>	<b>-</b>	<b>(8,273)</b>		
<b>Non-Current Investments</b>	<b>Non-Current Debtors</b>	<b>Current Investments</b>	<u>Financial Assets</u>	<b>Non-Current Investments</b>	<b>Non-Current Debtors</b>	<b>Current Investments</b>		
£000	£000	£000	Amortised Cost	£000	£000	£000		
-	132	43,804		-	117	47,035		
<b>-</b>	<b>132</b>	<b>43,804</b>	<b>Total Financial Assets</b>	<b>-</b>	<b>117</b>	<b>47,035</b>		

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		
<b>2020/21</b>		<b>2021/22</b>
<b>Surplus or Deficit on the Provision of Services</b>		<b>Surplus or Deficit on the Provision of Services</b>
<b>£000</b>	<b>£000</b>	
(257)	Interest Revenue	(117)
1,049	Interest Expense	1,049
<b>1,049</b>	<b>Total Expense in the Surplus/Deficit on the Provision of Services</b>	<b>1,049</b>

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

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

The fair values of financial instruments are calculated as follows:

2020/21		Fair Value of Financial Instruments	2021/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
21,386	32,070	PWLB Debt	21,386	31,527
840	887	Non PWLB Debt	672	660
2,300	2,300	Short Term Creditors	3,522	3,522
<b>24,526</b>	<b>35,257</b>	<b>Total Financial Liabilities</b>	<b>25,580</b>	<b>35,709</b>
33,000	33,180	Short Term Investments	47,000	46,941
578	305	Short Term Debtors	1,178	868
<b>33,578</b>	<b>33,485</b>	<b>Total Financial Assets</b>	<b>48,178</b>	<b>47,809</b>

## 16. Nature & Extent of Risk Arising from Financial Instruments

### Key Risks

The authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates movements.

### Overall Procedures for Managing Risk

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

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

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

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

## **Credit Risk**

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

No breaches of the authority's counterparty criteria occurred during the reporting period. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website.

### **Credit Risk Management Practices**

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

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

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

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

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

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

## **Liquidity Risk**

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

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

## **Refinancing and Maturity Risk**

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

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

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

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

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

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

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

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.96 million are not shown in the table above.

## Market Risk

### Interest rate risk

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

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

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

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

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

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

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

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

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

#### Price risk

The authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates. The authority (excluding the pension fund) has not invested in equity shares or marketable bonds during 2021/22.

### 17. Property, Plant & Equipment

Due to resourcing issues at the Council's valuers, Bruton Knowles, it was not possible to obtain updated valuations for the Councils' properties during 2021/22. However, the Code of Practice requires that assets are valued as a minimum every five years, as the Council operates a rolling three-year basis, the assets that were due for revaluation in 2021/22 were last revalued in 2018/19, so compliance with the Code has been maintained. In 2022/23 the Council will be seeking to engage new valuers, and the three-yearly valuations will resume.

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

Property, Plant & Equipment (PPE) – 2021/22	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
<b>Cost or Valuation</b>						
<b>At 1 April 2021</b>	<b>36,444</b>	<b>1,055</b>	<b>54,920</b>	<b>182</b>	<b>-</b>	<b>92,601</b>
Additions	182	187	2,628	-	-	2,997
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(82)	-	-	-	-	(82)
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services.	(100)	-	-	-	-	(100)
De-recognition – Disposals	(52)	-	-	-	-	(52)
Transfer to other IFRS categories	182	(9)	-	(182)	-	(9)
<b>At 31 March 2022</b>	<b>36,574</b>	<b>1,233</b>	<b>57,548</b>	<b>-</b>	<b>-</b>	<b>95,355</b>

<b>Property, Plant &amp; Equipment (PPE) – 2021/22</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 1 April 2021</b>	<b>(897)</b>	<b>(410)</b>	<b>(16,221)</b>	-	<b>1</b>	<b>(17,527)</b>
Depreciation charge in year	(467)	(118)	(1,944)	-	-	(2,529)
*Depreciation written out to the revaluation reserve	-	-	-	-	-	-
*Depreciation Written out to the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
*Impairment (losses)/ reversals recognised in Revaluation Reserve	-	-	-	-	-	-
*Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
De-recognition – Disposal	3					
Transfer to other IFRS Categories	-	3	-	-	-	-
<b>At 31 March 2022</b>	<b>(1,361)</b>	<b>(525)</b>	<b>(18,165)</b>	-	<b>1</b>	<b>(20,050)</b>
<b>Net Book Value At 31 March 2022</b>	<b>35,213</b>	<b>708</b>	<b>39,383</b>	-	<b>1</b>	<b>75,305</b>
<i>At 1 April 2021</i>	<i>35,547</i>	<i>645</i>	<i>38,699</i>	<i>182</i>	<i>1</i>	<i>75,074</i>

\*Rolling valuation programme not carried out in 2021/22 as explained.

<b>Property, Plant &amp; Equipment (PPE) – 2020/21</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>At 1 April 2020</b>	<b>34,320</b>	<b>2,337</b>	<b>52,025</b>	<b>280</b>	-	<b>88,962</b>
Additions	184	201	2,895	7	-	3,287
Revaluation increase / (decrease) recognised in the Revaluation Reserve	1,902	-	-	-	-	1,902
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services.	(52)	-	-	-	-	(52)
De-recognition – Disposals	-	(1,541)	-	-	-	(1,541)
Transfer to other IFRS categories	90	58	-	(105)	-	43
<b>At 31 March 2021</b>	<b>36,444</b>	<b>1,055</b>	<b>54,920</b>	<b>182</b>	-	<b>92,601</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 1 April 2020</b>	<b>(903)</b>	<b>(1,855)</b>	<b>(14,393)</b>	-	<b>1</b>	<b>(17,150)</b>

<b>Property, Plant &amp; Equipment (PPE) – 2020/21</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Depreciation charge in year	(467)	(75)	(1,828)	-	-	(2,370)
Depreciation written out to the revaluation reserve	473	-	-	-	-	473
Depreciation Written out to the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/ reversals recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
De-recognition – Disposal	-	1,541	-	-	-	1,541
Transfer to other IFRS Categories	-	(21)	-	-	-	(21)
<b>At 31 March 2021</b>	<b>(897)</b>	<b>(410)</b>	<b>(16,221)</b>	<b>-</b>	<b>1</b>	<b>(17,527)</b>
<b>Net Book Value At 31 March 2021</b>	<b>35,547</b>	<b>645</b>	<b>38,699</b>	<b>182</b>	<b>1</b>	<b>75,074</b>
At 1 April 2020	33,417	482	37,632	280	1	71,812

## 18. Revaluations

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

<b>Valued at fair value as at</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Other Land &amp; Buildings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Historical Cost	708	-	708
At 1 April 2018	-	13,444	13,444
At 1 April 2019	-	8,672	8,672
At 1 April 2020	-	13,097	13,097
At 1 April 2021	-	-	-
<b>Total cost or valuation</b>	<b>708</b>	<b>35,213</b>	<b>35,921</b>

## 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.

2020/21 £000	<b>Capital Financing Requirement</b>	2021/22 £000
20,632	Opening Capital Financing Requirement	20,039
	<b>Capital Investment</b>	
3,287	Property Plant & Equipment	2,997
-	- Intangible	9
3,222	Revenue expenditure funded from capital under statute (REFCUS)	2,168
-	- Long Term Debtor	-
	<b>Sources of Finance</b>	
(179)	Capital Receipts	(32)
(6,309)	Government Grants and contributions	(5,094)
(614)	Sums set aside from revenue (including direct revenue financing, MRP, VRP and loans fund principals)	(661)
<b>20,039</b>	<b>Closing Capital Financing Requirement</b>	<b>19,426</b>
	Explanation of movement in year	
(593)	Increase/(reduction) in the underlying need to borrow	(613)

## 21. Leases

### Authority as Lessee

Operating leases:

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

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

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

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

## Authority as Lessor

Operating leases:

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

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

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

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

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

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

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

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

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

### 23. Intangible Assets

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

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

### 24. Creditors

2020/21 £000	Creditors	2021/22 £000
4,107	Central Government Bodies	7,140
727	Other Local Authorities	812
52	Schools	137
4,354	Other Entities & Individuals	5,157
<b>9,240</b>	<b>Total</b>	<b>13,246</b>

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

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

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

### 25. Provisions

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

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

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

## 26. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(257)	Interest Received	(117)
1,049	Interest Payable	1,049
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>		
(2,530)	Depreciation and Impairment of Non-Current Assets	(2,673)
(58)	Revaluation Losses on Property, Plant and Equipment	(102)
(1,967)	Movement in Pension Liability	(4,304)
-	Gains or Losses on Disposal of Non-Current Assets	(50)
(293)	Increase / (Decrease) in Provisions	(648)
(2,139)	Increase / (Decrease) in Creditors	(4006)
4,325	Increase / (Decrease) in Debtors	(3,251)
(17)	Increase / (Decrease) in Long Term Debtors	(15)
(25)	Increase / (Decrease) in Inventories	33
(180)	Other	(107)
<b>(2,884)</b>	<b>Total Non-Cash Movements</b>	<b>15,123</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
7,303	Capital Grants credited to the CIES	6,408
89	Proceed from Disposal of Property, Plant and Equipment	156
(3,222)	Revenue Expenditure Funded from Capital in Statute	(2,168)
-	Proceeds from the Sale of Short-Term Investments	907
(2,583)	Other	2
<b>1,587</b>	<b>Total Investing or Financing Activities</b>	<b>5,305</b>

## 27. Cash Flow Statement – Investing Activities

<b>2020/21</b>	<b>Investing Activities</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
6,508	Purchase of property, plant and equipment, investment property and intangible assets	5,176
33,500	Purchase of short-term and long-term investments	47,000
(89)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(156)
(33,000)	Proceeds from short-term and long-term investments	(33,500)
(7,304)	Capital Grants Received	(6,409)
(19)	Other	-
<b>(404)</b>	<b>Total</b>	<b>12,111</b>

## 28. Cash Flow Statement – Financing Activities

2020/21 £000	Financing Activities	2021/22 £000
84	Receipt / Repayment of short and long-term borrowing	84
2,642	Other payments for financing activities	(854)
<b>2,726</b>	<b>Total</b>	<b>(770)</b>

## 29. Cash Flow Statement – Cash & Cash Equivalents

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

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

## 30. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2021/22 the authority paid £0.26 million to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (£0.25 million and 23.68% in 2020/21). There were no contributions remaining payable at the year end.

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

## 31. Defined Benefit Pension Schemes

### Participation in pension schemes

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

The authority participates in two post-employment schemes:

- the Local Government Pension Scheme (LGPS) administered locally by Leicestershire County Council; this is a funded defined benefit career average salary scheme, meaning that the authority

and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 30 above).

### Transactions relating to post-employment benefits

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

<b>2020/21</b>	<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
4,236	<b>Cost of Service</b>	
-	Current Service Cost	6,463
	Past Service Cost	30
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	-
930	Net interest expense	1,181
<b>5,166</b>	<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>7,674</b>
	Other post-employment benefits charged to the CIES	
(16,385)	Return on plan assets (excluding the amount included in the net interest expense)	(8,440)
1,753	Actuarial gains and losses arising on changes in demographic assumptions	(737)
31,267	Actuarial gains and losses arising on changes in financial assumptions	(10,623)
(1,010)	Other	41
<b>15,625</b>	Total Re-measurements recognised in CIES	<b>(19,759)</b>
<b>20,791</b>	<b>Total post-employment benefit charged to the CIES</b>	<b>(12,085)</b>
	<b>Movement in Reserves Statement</b>	
(5,166)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(7,674)
1,967	Actual Amount charged against the General Fund Balance for Pensions in the year	4,304
<b>(3,199)</b>	<b>Total Movement in Reserves Statement</b>	<b>3,370</b>

<b>2020/21</b>	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(90,840)	Fair Value of Employer Assets	(102,036)
148,392	Present Value of Defined Benefit Obligation	144,133
<b>57,552</b>	<b>Net liability arising from defined benefit obligation</b>	<b>42,097</b>

The net pensions liability has decreased by £15.455m. The major causes of this decrease are:

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

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

<b>2020/21</b>	<b>Reconciliation of the Fair Value of the Scheme Assets</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
71,830	Opening fair value of Scheme Assets	90,840
1,662	Interest Income	1,825
	Return on plan assets, excluding the amount included in the net interest expense	8,440
16,385		8,440
3,199	Contributions from Employer	3,370
836	Contributions from Employees	837
(3,072)	Benefits Paid	(3,276)
<b>90,840</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>102,036</b>

<b>2020/21</b>	<b>Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
111,790	Opening Liability at 1 April	148,392
4,236	Current Service Cost	6,463
2,592	Interest Cost	3,006
836	Contributions from Scheme Participants	837
1,753	Actuarial gains/losses arising from changes in demographic assumptions	(737)
31,267	Actuarial gains/losses arising from changes in financial assumptions	(10,623)
(1,010)	Other	41
-	Past Service Costs	30
(3,072)	Benefits Paid	(3,276)
<b>148,392</b>	<b>Closing Liability at 31 March</b>	<b>144,133</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £42.097 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2023 is £3.282 million.

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

2020/21		Local Government Pension Scheme Assets		2021/22	
Quoted Prices in Active Markets £000	Quoted prices not in Active Markets £000			Quoted Prices in Active Markets £000	Quoted prices not in Active Markets £000
1,582	-	<b>Equity Securities</b>		851	-
		<b>Debt Securities</b>			
7,677	15	UK		5,111	12
1,177	-	Other		191	-
<b>8,854</b>	<b>15</b>	<b>Total debt securities</b>		<b>5,302</b>	<b>12</b>
-	4,189	<b>Private Equity</b>		-	6,824
-	6,790	<b>Real Estate</b>		-	7,851
		<b>Investment Funds &amp; Unit Trusts</b>			
21,023	15,461	Equities		29,240	17,740
3,839	-	Bonds		-	-
8	-	Hedge Funds		-	-
-	3,213	Commodities		-	2,561
-	4,778	Infrastructure		-	5,334
6,525	11,960	Other		8,675	12,282
<b>31,394</b>	<b>35,411</b>	<b>Total investment funds &amp; unit trusts</b>		<b>37,915</b>	<b>37,917</b>
(115)	-	<b>Derivatives</b>		212	
2,721	-	<b>Cash &amp; Cash Equivalents</b>		5,152	
<b>44,435</b>	<b>46,405</b>	<b>Closing Fair Value of Scheme Assets</b>		<b>49,432</b>	<b>52,604</b>

### Basis for estimating assets and liabilities

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

2020/21		2021/22
	<b>Mortality Assumptions</b>	
	Longevity at 65 for Current Pensioners:	
21.7	Men (years)	21.5
24.2	Women (years)	24.0
	Longevity at 65 for Future Pensioners:	
22.6	Men (years)	22.4
25.9	Women (years)	25.7
	<b>Financial Assumptions</b>	
3.30%	Rate of Inflation	3.30%
3.35%	Rate of increase in salaries	3.70%
2.85%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.70%
50.00%	Take-up of option to convert annual pension into retirement lump sum pre-April 2008 service	50.00%
75.00%	Take-up of option to convert annual pension into retirement lump sum post April 2008 service	75.00%

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

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

### Impact on the Council's Cash Flows

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

The weighted average duration of the defined benefit obligation for active members is 20 years.

### 32. Contingent Liabilities

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

### 33. Contingent Assets

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

### 34. Trust Funds

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

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

### 35. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Director for Resources on 30 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where

events taking place before this date provided information about conditions existing as at 31 March 2022 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **36. Accounting Standards Issued Not Yet Adopted**

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

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

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

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

### **37. Critical judgements in applying accounting policies**

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

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

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

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

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

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

The items in the authority’s Balance Sheet at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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 2021/22 the authority’s actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 4% and approximately £5.76m
Asset Valuations	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. As disclosed in Note 18, revaluations of assets held at current value were not carried out in 2021/22 due to resourcing issues at the Council’s valuers. It is therefore possible that if the assumptions on which the last valuations were based have changed significantly, asset values could change considerably when valuations for 2022/23 are obtained.	A reduction in current value assets would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If asset values were to reduce by 10%, the value of Property, Plant & Equipment would reduce by £1.35m.

# Collection Fund

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

## 1. Collection Fund Overview

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

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

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

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

## 2. Business Rates

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

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

## 3. Council Tax

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2021/22 is calculated as follows:

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

#### 4. Impairment

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

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

# Statement of Accounting Policies

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## **General Principles**

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

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

## **Accruals of Income and Expenditure**

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

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

## **Cash and Cash Equivalents**

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

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

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

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

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

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

### **Charges to Revenue for Non-Current Assets**

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

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

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

### **Council Tax and Non-Domestic Rates**

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

### **Accounting for Council Tax and NDR**

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

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

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

## **Employee Benefits**

### ***Benefits Payable During Employment***

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

### ***Termination Benefits***

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

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

### ***Post-Employment Benefits***

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

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

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

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

### **The Local Government Pension Scheme**

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

- The liabilities of the Leicestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to

date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)
- The assets of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising
    - Current service cost: the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
    - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority; the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement; this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Re-measurements Comprising
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - Contributions paid to the Leicestershire County Council pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## ***Discretionary Benefits***

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

## **Events After the Reporting Date**

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

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

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

## **Financial Instruments**

### ***Financial Liabilities***

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

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

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

### ***Financial Assets***

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

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

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

### ***Financial Assets measured at Amortised Cost***

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

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

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

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

### ***Expected Credit Loss Model***

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

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

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

### **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.

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

## **Community Infrastructure Levy**

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

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

## **Heritage Assets**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are 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. 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 goods or services transferred to the service recipient during the financial year.

## **Investment Properties**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains

and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## **Leases**

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

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

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

### ***The Council as Lessee***

#### **Finance Leases**

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

#### **Operating Leases**

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

## ***The Council as Lessor***

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## **Overheads and Support Services**

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

## **Property, Plant and Equipment**

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

## **Recognition**

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

## **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

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

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

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

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

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

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

### ***Impairment***

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

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

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

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

### ***Depreciation***

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, and equipment – straight-line allocation over the useful life of the asset ranging between 5 and 10 years
- infrastructure – straight-line allocation over 25 years

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

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

### ***Disposals and Non-current Assets Held for Sale***

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

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

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

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### ***Provisions***

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

## **Contingent Liabilities**

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

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

## **Contingent Assets**

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

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

## **Reserves**

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

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

## **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

## **Schools**

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

## **Value Added Tax (VAT)**

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

## **Fair Value Measurement**

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

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

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

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

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

# Glossary

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

**Accumulating Compensated Absences Adjustment Account** – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Deferred Capital Receipts Reserve** - Holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Heritage Assets** – A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Annual Governance Statement 2021/22

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## Glossary

Agresso	Rutland County Councils finance software system
AGS	Annual Governance Statement
BAU	Business as Usual
CHIS	Covert Intelligent Human Sources
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance
CPR's	Contract Procedure Rules
CQC	Care Quality Commission
DfE	Department for Education
DMT	Directorate Management Team
EIR	Environmental Information regulations
ELRCCG	<i>East Leicestershire and Rutland Clinical Commissioning Group</i>
FOI	Freedom of Information
GP	General Practitioner
GDPR	General Data Protection Regulation
HIF	Housing Infrastructure Fund
ICO	Information Commissioner's Office
ICS	Integrated Care System
ICT	Information and communications technology
ILACS	<i>Inspections of local authority children's services</i>
IPCO	Investigatory Powers Commissioning Office
KPI	Key Performance Indicator
LLR	Leicestershire, Leicester & Rutland
LRF	Local Resilience Forum
LRG	Local Resilience Group
LSCG	Local Strategic Coordinating Group
LTCG	Local Tactical Coordinating Group
MHCLG	Ministry for Housing, Communities and Local Government
MICARE	Rutland County Councils Supported Living and Day Opportunities Service – Adults Social Care
MOD	Ministry of Defence
MTFP	Medium Term Financial Plan
NHS	National Health Service
NFI	Nation Fraud Initiative
NPPF	National Planning Policy Framework
OFSTED	Office for Standards in Education, Children's Services and Skills
PSN	Public Services Network
RALSS	Rutland Adult Learning Skills Service
RCC	Rutland County Council
RISE	Rutland Integrated Social Empowerment – Adults Social Care
RSCG	Rutland Strategic Commissioning Group
RTCG	Rutland Tactical Commissioning Group
SEND	Special Educations Needs and Disabilities
SMT	Strategic Management Team
SOLACE	Network for local government and public sector professionals
VCF	Voluntary Community Faith