Rutland County Council

MULTUM·IN PARVO

Accounts 2010/11

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Part 1

Accompanying Information

Explanatory Foreword

INTRODUCTION

This foreword provides an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2011.

It gives a brief summary of the overall financial position of the Council, sets out how the Council's budget is spent and financed and explains the purpose of the financial statements contained within the Council's accounts.

This is the first year that the accounts have been prepared in accordance with the International Financial Reporting standards (IFRS), which mirrors the format used by businesses when they publish their accounts. The presentational changes resulting from preparing the accounts in the IFRS format means that the appearance of the accounts for 2010/11 is different to that of previous years, and the comparative figures for 2009/10 have been restated into the new format to provide year on year comparatives. The most significant changes to meet the IFRS requirements are reflected in how assets and grants are accounted for and in arrangements for leases. None of the changes has any impact on the underlying financial position of the Council or any effect on levels of Council Tax.

CONTENTS OF THE STATEMENT OF ACCOUNTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'Unusable Reserves'. The 'Surplus/(deficit) on provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The 'Net increase/(decrease) before transfers to or from Earmarked Reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently the HRA is a statutory account, ring fenced from the rest of the General Fund so that rents cannot be subsidised from council tax, or vice versa.

The Council disposed of its stock under a large scale voluntary transfer in November 2009 and received consent from the Secretary of State for Communities and Local Government to close its HRA at 31 March 2011.

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to establish and maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

REVIEW OF 2010/11

In February 2010 the Council set out a medium-term financial plan (MTFP) that took into account assumptions on levels of council tax and government support, inflationary and demand led spending pressures and the impact of its capital programme over a 5 year period. The MTFP was set against the background of an economic recession with interest rates at historically low levels and the uncertainty generated by the prospect of a general election early in the new financial year.

Revenue

The approved revenue budget for 2010/11 showed net spending on services for Rutland of £28.4 million, financed from government support (£7.7 million) and council tax (£20.8 million), with Council Tax set at £1,430.51 for a Band D property.

A change of Government following the general election resulted in in-year reductions in some grants with the prospect of significantly reduced government support in future years. In response the Council reviewed its structure and introduced measures to reduce its ongoing level of spending to match the likely future resources available. Monitoring of the financial position during the year as part of the Council's overall performance management framework enabled savings to be identified to offset the potential impact of the grant reductions.

The final position for the year showed net spending on services of £28.2 million, enabling reserves to be increased in order to be used in future years to mitigate the impact of further reductions in government support.

Capital

Where expenditure is used to buy, build or improve an asset it is classified as capital expenditure. The introduction on 1st April 2004 of CIPFA's Prudential Code for Capital Finance in Local Authorities, together with changes to the Local Government Capital Finance Regulations, provides the Council with a range of options for financing capital expenditure.

The Government continues to provide support for borrowing through the formula based grant and housing subsidy mechanisms; however the Council is now able to undertake prudential borrowing if it is able to identify sufficient sustainable revenue resources to meet the costs of borrowing over the whole life of the loan. Capital expenditure may also be funded from capital grants and contributions, receipts from the disposal of assets and directly from revenue.

The approved capital programme showed planned spending of £38 million over 5 years, with £26 million being spent in 2010/11 with the majority of this relating to school replacement and improvements. Capital expenditure is financed in the year in which it is incurred with £24 million planned to be met from grants and £1 million from borrowing.

Deferral of some schemes and rescheduling of others resulted in reduced capital spending in 2010/11 with the final position showing spending of £20 million. The change in the spending pattern between financial years also resulted in revised funding of the programme with £14 million financed from grants, £1 million from receipts from the disposal of assets and £5 million from borrowing. The additional borrowing had originally been planned for the previous year but was switched into 2010/11 to provide a short-term benefit to revenue in 2009/10.

Pensions

Employees of the Council may be members of one of two separate pension schemes:

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

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 reduced from £33.6 million to £16.7 million in the year to 31st March 2011. There are two main elements that create this liability, the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has reduced by £0.1 million during the year, at the same time liabilities have reduced by £17.0 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.

Following the Chancellor's budget statement on 22 June 2010 the calculations on future pension increases are now linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI) as was previously the case. The effect of this change comes through as a negative past service cost item in the revenue account of £7.136 million. However this has no impact on the underlying financial position of the Council or any effect on levels of Council Tax.

FUTURE OUTLOOK

Following a period of uncertainty leading up to the general election in May 2010 the new government has set clear targets for reducing the level of national debt and its plans for reduced levels of public spending over the next few years are clear.

However Rutland County Council is well placed to meet the challenges this will impose. The Council's financial strategy in recent years, embedded within the MTFP, has resulted in good levels of reserves and sound financial management that will enable it to continue to support the needs of its residents and businesses when faced with anticipated reductions in resources.

FURTHER INFORMATION

Any enquiries about these accounts should be made by letter to the Strategic Director for Resources, Rutland County Council, Oakham, Rutland, LE15 6HP or by email to enquiries@rutland.gov.uk

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

This Statement of Accounts was authorised for issue on 30 June 2011 by Miss D Muddimer, Strategic Director for Resources. This is the date up to which events after the Balance Sheet date have been considered.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Rutland County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rutland County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The elements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government are embedded throughout the Council's constitution and other strategies. This statement explains how Rutland County Council has complied with the framework and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which Rutland County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rutland County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rutland County Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The Governance Environment

A clear statement of the Council's purpose and vision is set out in its Sustainable Community Strategy, the most recent revision of which was approved in July 2010. The Council's strategic aims, which are reviewed and refreshed by Cabinet and Council generally on an annual basis, provide a clear set of priorities against which the Council can allocate resources and are supported by clear accountability for delivery.

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 departmental management teams and Strategic Management Team on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis. Progress against the strategic aims is measured in milestones and this is included in quarterly monitoring reports. The performance management framework flows through the authority, down to an individual employee level. Each employee has an annual performance appraisal, part of this process being to identify development needs.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in May 2010. Changes were approved by the Council in February 2011 and a further revised set of arrangements were agreed at the Annual Council Meeting in May 2011. The Constitution defines the roles and responsibilities of the Council, Cabinet and Scrutiny Panels and provides for extensive delegation to officers provided these are in accordance with Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

The behaviour of elected Members is regulated through a Code of Conduct, which all Members sign up to upon election to the Council. This is a national code, approved by Parliament, and was revised in 2007. The Council adopted the revised code and training is provided to Members periodically to ensure that they are fully aware of their responsibilities. Employees are also subject to a Code of Conduct and a number of specific policies (such as Harassment, Discrimination and Bullying) set out in the Corporate Induction Portfolio. All new members of staff receive one to one induction training with their line manager and attend an induction training session.

The Audit and Risk Committee undertakes the core functions of an audit committee, in accordance with CIPFA's Audit Committees – Practical Guidance for Local Authorities and this is set out in the committee's terms of reference, which include the authority to act as those charged with governance on behalf of the Council.

A comprehensive restructuring of the Council was undertaken during 2010/11. The Strategic Management Team comprises the Chief Executive (Head of Paid Service), the Strategic Director for People and Deputy Chief Executive, the Strategic Director for Places and the Strategic Director for Resources. Across the three directorates there are a further 13 posts at Assistant Director and Head of Service level, the holders of which, together with the Strategic Management Team, make up the Leadership Team of the authority.

The Strategic Director for Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. The Head of Corporate Governance is designated as the Council's Monitoring Officer under the Local Government and Housing Act 1989. All reports to a decision making body must be considered by the Strategic Director for Resources, the Solicitor to the Council and the Head of Corporate Governance before they are submitted. This is to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

The Council has arrangements in place for receiving allegations of fraud or misconduct, through its whistle-blowing policy. All members of staff are made aware of this policy through the induction programme and it is publicised through the staff bulletin and intranet. The Council recognises the importance of customer complaints and welcomes complaints as a valuable form of feedback about its services. There is a formal complaints procedure and the Council is committed to using the information it receives to help drive forward improvements.

Risk Management is embedded in the Council through the Risk Management Strategy. The Council maintains a Strategic Risk Register, linking risks to strategic aims and assigning ownership to each risk and the Deputy Leader is the lead member for risk management. The Strategic Management Team is responsible for maintaining an up-to-date register of strategic risks and monitoring the actions taken to mitigate these. Risk Management is included in the quarterly performance monitoring arrangements.

The Council has established channels of communication with different sections of the community through groups such as the Youth Council and business community representatives. The Council has also established a Citizen Panel that will be utilized in any future major consultation exercises. The Communications Officer has fostered a good working relationship with the local press and works closely with them to communicate with the community.

The Council uses a variety of methods to provide its services, and is part of many successful partnerships including a pooled budget with the PCT for Adult Social Care service and the Children's Trust. Along with other Welland Authorities, the Council has a shared Internal Audit Service and Joint Procurement Unit. Further shared services arrangements were, or were near to being, implemented by the end of 2010/11, covering public protection services, legal services and benefit fraud investigations. Rutland County Council leads a civil emergencies partnership with other Welland authorities and Leicestershire district councils.

Review of Effectiveness

Rutland County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of its effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

The Council endorsed its refreshed Strategic Aims in August 2009 and will be reviewing them during the first six months of the life of the new Council elected in May 2011.

The Audit and Risk Committee has received and formally debated the Annual Audit Letter and External Audit Annual Plan.

Cabinet takes the lead role in improving the performance management framework and maintaining comprehensive quarterly reporting that includes financial performance, progress against non-financial targets and milestones, and risk management.

The Audit and Risk Committee reviews the Risk Management Strategy and Strategic Risk Register twice each year and fulfils the role of an Audit Committee in accordance with CIPFA guidance. During 2010/11 the Scrutiny Panels have considered a number of issues of particular concern, such as child protection, post 16 education and the involvement of the Council in the Rutland County College Trust, early intervention in relation to vulnerable adults, off-street car parking, and education capital projects, including the Catmose Campus, to satisfy themselves that there are robust governance arrangements in place.

The Standards Committee received 62 complaints of alleged breaches of the Code of Conduct for Members during 2010/11. None of these related to County Council members. Two cases of alleged breaches by County Council members which arose in 2009/10 were concluded following investigation by Standards for England and the Monitoring Officer respectively. In neither case was a breach of the Code of Conduct found to have occurred.

Cabinet has reviewed and approved the corporate capital strategy and Asset Management Plan. Capital monitoring arrangements continue to be improved to secure control over capital expenditure and embed reporting into the quarterly performance monitoring arrangements.

The responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. This responsibility is delegated to the Strategic Director for Resources. The Internal Audit Service operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources. Members receive an annual report of internal audit activity and approve the audit plan for the forthcoming year.

For the year 2010/11 the Head of Internal Audit has concluded that the Council's overall internal control arrangements provide a Sound Level of Assurance.

Significant Governance Issues

The Council is satisfied that the governance framework provides a reasonable assurance of effectiveness. The radical restructuring of the Council carries some inherent challenges relating to the way in which services are provided and managed which will be the subject of close monitoring as part of the performance management framework.

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

Part 2

Statement of Accounts

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Strategic Director for Resources 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 Strategic Director for Resources has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I certify that the Statement of Accounts on pages 1 to 68 presents a true and fair view of the financial position of the Council at 31st March 2011 and its income and expenditure for the year ended 31st March 2011.

27th September 2011

Mrs D Mogg
Strategic Director for Resources

Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2009	1,699	3,552	114	849	11,130	**17,344**	58,244	**75,588**
Movement in 2009/10								
Surplus/(deficit) on provision of services	14,035	0	(84,235)	0	0	**(70,200)**	0	**(70,200)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(17,377)	**(17,377)**
Total Comprehensive Income and Expenditure	14,035	0	(84,235)	0	0	**(70,200)**	(17,377)	**(87,577)**
Adjustments								
Adjustments between accounting basis and funding basis under regulations (Note 7)	(13,628)	0	84,241	(27)	(1,744)	**68,842**	(25,974)	**42,868**
Net increase/(decrease) before transfers to or from Earmarked Reserves	407	0	6	(27)	(1,744)	**(1,358)**	(43,351)	**(44,709)**
Transfers to or from Earmarked Reserves (Note 8)	152	(152)	0	0	0	**0**	0	**0**
Increase/(decrease) in 2009/10	559	(152)	6	(27)	(1,744)	**(1,358)**	(43,351)	**(44,709)**
Balance at 31 March 2010	2,258	3,400	120	822	9,386	**15,986**	14,893	**30,879**

Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2010	2,258	3,400	120	822	9,386	**15,986**	14,893	**30,879**
Movement in 2010/11								
Surplus/(deficit) on provision of services	(8,102)	0	79	0	0	**(8,023)**	0	**(8,023)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	31,405	**31,405**
Total Comprehensive Income and Expenditure	(8102)	0	79	0	0	**(8023)**	31,405	**23,382**
Adjustments								
Adjustments between accounting basis and funding basis under regulations (Note 7)	10,695	0	0	(479)	(121)	**10,095**	(8,868)	**1,227**
Net increase/(decrease) before transfers to or from Earmarked Reserves	2,593	0	79	(479)	(121)	**2,072**	22,537	**24,609**
Transfers to or from Earmarked Reserves (Note 8)	(683)	882	(199)	0	0	**0**	0	**0**
Increase/(decrease) in 2010/11	1,910	882	(120)	(479)	(99)	**2,072**	22,537	**24,609**
Balance at 31 March 2011	4,168	4,282	0	343	9,265	**18,058**	37,430	**55,488**

Comprehensive Income & Expenditure Statement

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,555	(2,352)	203	Central services to the public	2,696	(2,419)	277
8,056	(2,275)	5,781	Cultural, environmental, regulatory & planning services	8,640	(1,925)	6,715
22,369	(29,041)	(6,672)	Education and children's services	39,159	(43,116)	(3,957)
4,120	(784)	3,336	Highways and transport services	6,257	(648)	5,609
87,028	(2,793)	84,235	Local authority housing (HRA)	124	(203)	(79)
6,557	(5,658)	899	Other housing services	7,043	(5,083)	1,960
10,524	(3,038)	7,486	Adult social care	10,550	(3,446)	7,104
3,043	(832)	2,211	Corporate and democratic core	2,469	(485)	1,984
285	(9)	276	Non distributed costs	443	(17)	426
0	0	0	Exceptional items relating to Pension scheme	0	(7,136)	(7,136)
144,537	**(46,782)**	**97,755**	**Cost of Services**	**77,381**	**(64,478)**	**12,903**
606	0	606	Other operating expenditure	26,728	0	26,728
2,364	(239)	2,125	Financing and investment income and expenditure	1,824	(155)	1,669
0	(30,286)	(30,286)	Taxation and non-specific grant income	0	(33,277)	(33,277)
147,507	**(77,307)**	**70,200**	**(Surplus) or deficit on provision of services**	**105,933**	**(97,910)**	**8,023**
		(654)	Surplus on revaluation of Property, Plant and Equipment assets			(20,552)
		18,031	Actuarial (gains)/losses on pension assets/liabilities			(10,853)
		87,577	**Total comprehensive income and expenditure**			**(23,382)**

Balance Sheet

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
125,414	69,140	Property, Plant and Equipment	12	77,802
731	1,226	Investment Property	13	2,114
115	9	Intangible Assets	14	0
2	266	Long term investments	15	124
892	1,520	Long term debtors		1,247
127,154	72,161	**Long term assets**		81,287
18	22	Inventories	16	6
4,345	5,558	Short term Debtors	18	5,604
21,327	23,504	Cash and Cash Equivalents	19	22,825
25,690	29,084	**Current assets**		28,435
(1,603)	(3,253)	Cash and Cash Equivalents	19	(4,991)
(8,735)	(11,697)	Short term creditors	21	(10,689)
(190)	(392)	Provisions	22	(449)
(10,528)	(15,342)	**Current Liabilities**		(16,129)
(26,386)	(21,386)	Long term Borrowing	15	(21,386)
(15,354)	(33,638)	Other Long Term Liabilities		(16,719)
(41,740)	(55,024)	**Long Term Liabilities**		(38,105)
75,588	**30,879**	**Net Assets**		**55,488**
(17,344)	(15,986)	Usable Reserves	23	(18,058)
(58,244)	(14,893)	Unusable Reserves	24	(37,430)
(75,588)	**(30,879)**	**Total Reserves**		**(55,488)**

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 27 September 2011.

Signed: 27 September 2011

Debbie Mogg
Strategic Director for Resources

Cash Flow Statement

2009/10 £000			2010/11 £000
70,200	Net (surplus) or deficit on the provision of services		8,023
(85,438)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(48,590)
20,612	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		36,390
5,374	Net cash flows from Operating Activities	(Note 25)	(4,177)
(901)	Investing Activities	(Note 26)	6,596
(5,000)	Financing Activities	(Note 27)	(2)
(527)	**Net (increase) or decrease in cash and cash equivalents**		2,417
(19,724)	Cash and cash equivalents at the beginning of the reporting period	(Note 19)	(20,251)
(20,251)	**Cash and cash equivalents at the end of the reporting period**	(Note 19)	(17,834)

Note 1: Accounting Policies

1.0 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 supported by International Financial Reporting Standards (IFRS).

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

1.1 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the 2009/10 Statement of Accounts. The three major areas of change are in fixed assets, holiday pay and grants receivable, details of these changes are outlined at Note 51.

1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

- revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- supplies are recorded as expenditure when they are consumed; where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the balance sheet.
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- interest payable on borrowing and receivable on investments is accounted for respectively as expenditure and revenue on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 EXCEPTIONAL ITEMS

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

1.5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

1.6 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortizations. 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 amortizations are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 RETIREMENT BENEFITS

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-distributed Costs line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post employment benefits

Employees of the authority may be members of one of two separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

- the liabilities of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on the iBoxx Sterling Corporates AA Over 15 years index).
- the assets of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value in accordance with the valuation made by John Wright FFA, on behalf of Hymans Robertson LLP:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

The change in the net pensions liability is analysed into seven components:

i. current service cost: the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
ii. past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
iii. interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
iv. expected return on assets: the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
v. gains or losses on settlements and curtailments: the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
vi. 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, debited to the Pensions Reserve.
vii. contributions paid to the Leicestershire County Council pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

1.10 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.11 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority 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 authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority 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 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 relevant service line 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 posses 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.

1.12 INVENTORIES AND LONG-TERM CONTRACTS

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.13 INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income 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.

1.14 LEASES

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

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

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

The authority as lessee

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

Lease payments are apportioned between:

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

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

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

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

The authority as lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

1.15 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.16 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The authority does not capitalise borrowing costs incurred while assets are under construction.

The cost of 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 authority). In the latter case where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the authority.

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

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

- infrastructure, community assets and assets under construction: depreciated historical cost,
- dwellings: fair value, determined using the basis of existing use value for social housing,
- all other assets: fair value, determined as the amount that would be paid for the asset in its existing use.

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

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

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

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

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

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

Impairment

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

Where impairment losses are identified they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings: straight line allocation over the life of the property as estimated by the valuer,
- vehicles, plant, furniture and equipment: a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified valuer,
- infrastructure: straight line allocation over 30 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

The written-off value of disposals is not a charge against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

1.17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

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

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

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

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another waste disposal authority are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition allowances are measured at the lower of cost and net realisable value.

As landfill is used a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However where some of the obligation will be met by paying a cash penalty to DEFRA that part of its liability is measured at the cost of the penalty.

Contingent liabilities

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

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

Contingent assets

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

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

1.18 RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority. These reserves are explained in the relevant policies.

1.19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

1.20 VALUE ADDED TAX (VAT)

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

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

For 2010/11 there are no Accounting Standards that have been issued that have not been adopted in the authority's 2010/11 Statement of Accounts.

Financial Reporting Standard 30 relating to Heritage Assets is not considered relevant to this authority as it holds no assets that it deems to fall within the definition of Heritage Assets.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Critical judgements made in the Statement of Accounts relate to the high degree of uncertainty about future levels of funding for local government. However the authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The authority has also had to make detailed assessments and judgements regarding the control exercised over schools run in a wide variety of different ways to determine whether the relevant land and buildings should be treated as on or off balance sheet. This has resulted in the following treatments:

- Foundation schools – off balance sheet
- Voluntary Aided schools – buildings off balance sheet and playing fields land on balance sheet where applicable
- Voluntary Controlled schools – on balance sheet
- Community Schools – on balance sheet

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority 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 2011 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on the assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current	If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £118,000 for every year that useful lives had to be reduced.

	spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	
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 2010/11 the authority's actuaries advised that the net pension liability had reduced by £16.9 million as a result of estimates being corrected as a result of experience and the updating of assumptions.
Arrears	At 31 March 2011 the authority had a balance of debtors of £7.0 million. A review of significant balances suggested that an impairment of doubtful debts of £0.2 million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require an additional £200,000 to be set aside

Note 5: Material items of Income and Expense

The only material item of income and expense that is included within the Comprehensive Income and Expenditure Statement that requires disclosure is the transfer of Catmose Campus. On completion of the new build the school was occupied from the February 2011 half-term and the land and buildings were transferred to the school governing body from that date at a value of £29.5 million.

Note 6: Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events that required any significant adjustments to the accounts for 2010/11.

Note 7: Adjustments between accounting basis and funding basis under regulations

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

2010/11	**Usable Reserves**					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	2,591					(2,591)
Amortization of Intangible Assets	9					(9)
Capital Grants and Contributions Applied	(14,003)					14,003
Revenue expenditure funded from capital under statute	2,121					(2,121)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	26,064					(26,064)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(991)					991
Capital expenditure charged against the General Fund and Housing Revenue Account	(2)					2
Adjustments primarily involving the Capital Grants Account:						
Capital grants and contributions unapplied credited to the CIES	(13,570)				13,570	
Application of grants to capital financing transferred to the Capital Adjustment Account	13,691				(13,691)	

2010/11 (continued)	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Account:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	(145)		145			
Use of the Capital Receipts Reserve to finance new capital expenditure	624		(624)			
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(179)					179
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,781)					3,781
Employer's pension contributions and direct payments to pensioners payable in the year	(2,285)					2,285
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	549					(549)
Total Adjustments	10,695	0	(479)	0	(121)	(13,602)

2009/10 comparative figures	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	3,429					(3,429)
Revenue expenditure funded from capital under statute	2,178	21,883				(24,061)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES		61,540				(61,540)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(1,122)	(169)				1,291
Capital expenditure charged against the General Fund and Housing Revenue Account	(23)	(479)				(502)
Adjustments primarily involving the Capital Grants Account:						
Capital grants and contributions unapplied credited to the CIES	(9,265)				8,896	369
Application of grants to capital financing transferred to the Capital Adjustment Account	19,100				(10,640)	(8,460)
Adjustments primarily involving the Capital Receipts Account:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	(28,115)	729	26,755			(2,089)
Use of the Capital Receipts Reserve to finance new capital expenditure	27		(26,782)			26,755
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the CIES		737				(737)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		169		(169)		

2009/10 comparative figures	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(99)					99
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 47)	2,343					(2,343)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,090)					2,090
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(65)					65
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	74					(74)
Total Adjustments	(13,628)	84,410	(27)	(169)	(1,744)	(68,842)

Note 8: Transfer to/from Earmarked Reserves

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Balances held by schools under a scheme of delegation	1,740	-	55	1,795	-	726	2,521
Invest to Save	1,365	(283)	-	1,082	(717)	-	365
Planning Delivery Grant	301	-	106	407	(196)	-	211
Internal Audit	20	-	-	20	-	-	20
Local Strategic Partnerships	-	-	-	-	-	377	377
Catmose Extension	126	(30)	-	96	-	-	96
Budget Carry Forward	-	-	-	-	-	692	692
Total	3,552	(313)	161	3,400	(913)	1,795	4,282

Note 9: Other Operating Expenditure

2009/10		2010/11
£000		£000
512	Parish council precepts	522
35	Pension losses on curtailments and settlements	138
59	External levies	59
-	(Surplus)/Deficit on disposal of Property, Plant & Equipment	26,009
606	**Total**	**26,728**

Note 10: Financing and Investment Income and Expenditure

2009/10		2010/11
£000		£000
1,104	Interest payable and similar charges	1,033
1,124	Pensions interest costs and expected return on assets	781
135	Impairment of investment	8
(238)	Interest receivable and similar income	(153)
2,125	**Total**	**1,669**

Note 11: Taxation and other Non-specific Grant Incomes

2009/10		2010/11
£000		£000
20,727	Council tax income	21,380
5,906	Non-domestic rates	6,738
3,653	Non-ring fenced Government grants	5,159
30,286	**Total**	**33,277**

Note 12: Property, Plant and Equipment

Movement in 2010/11	Council Dwellings	Other land & buildings	Vehicles, plant & equipment	Infrastruc- ture	Assets under construction	Surplus assets	TOTAL
Cost or Valuation							
At 1st April 2010	774	29,613	2,077	30,382	17,011	2,893	82,750
Additions		1,738	152	861	18,320		21,071
Revaluation changes recognized in Revaluation Reserve	411	19,736				1,050	21,197
De-recognition - disposals	(82)						(82)
De-recognition - other		(29,513)					(29,513)
Reclassification to Investment Properties	(1,103)						(1,103)
Reclassification from Assets Under Construction		29,513			(29,513)		0
At 31 March 2011	**0**	**51,087**	**2,229**	**31,243**	**5,818**	**3,943**	**94,320**
Accumulated depreciation & impairment							
At 1st April 2010	(275)	(7,898)	(819)	(2,175)	0	(2,443)	(13,610)
Depreciation charge in year	(3)	(566)	(318)	(805)			(1,692)
Impairment losses/reversals recognized in Revaluation Reserve	(5)	(835)					(840)
Impairment losses/reversals recognized in the Surplus/Deficit on the Provision of Services	3	(659)					(656)
De-recognition - disposals	(63)						(63)
Reclassification to Investment Properties	343						343
At 31 March 2011	**0**	**(9,958)**	**(1,137)**	**(2,980)**	**0**	**(2,443)**	**(16,518)**
Net book value							
At 31 March 2011	**0**	**41,129**	**1,092**	**28,263**	**5,818**	**1,500**	**77,802**
At 1st April 2010	499	21,715	1,258	28,207	17,011	450	69,140

Comparative movements in 2009/10	Council Dwellings	Other land & buildings	Vehicles, plant & equipment	Infrastruc- ture	Assets under construction	Surplus assets	TOTAL
Cost or Valuation							
At 1st April 2009	94,645	29,301	1,396	27,380	3,194	2,893	**158,809**
Additions			681	3,002	13,968		**17,651**
Revaluation changes recognized in Revaluation Reserve	(5,507)	610					**(4,897)**
Revaluation changes recognized in the Surplus/Deficit on the Provision of Services	(61,738)	(35)					**(61,773)**
De-recognition - disposals	(26,626)						**(26,626)**
Reclassification to Investment Properties		(263)			(151)		**(414)**
At 31st March 2010	**774**	**29,613**	**2,077**	**30,382**	**17,011**	**2,893**	**82,750**
Accumulated depreciation & impairment							
At 1st April 2009	(21,392)	(7,421)	(644)	(1,495)	0	(2,443)	**(33,395)**
Depreciation charge in year	(635)	(498)	(175)	(680)			**(1,988)**
De-recognition - disposals	21,752						**21,752**
Reclassification to Investment Properties		21					**21**
At 31st March 2010	**(275)**	**(7,898)**	**(819)**	**(2,175)**	**0**	**(2,443)**	**(13,610)**
Net book value							
At 31st March 2010	**499**	**21,715**	**1,258**	**28,207**	**17,011**	**450**	**69,140**
At 1st April 2009	73,253	21,880	752	25,885	3,194	450	125,414

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
Other land and buildings – 10 to 50 years
Vehicles, Plant, Furniture and Equipment – up to 10 years
Infrastructure – up to 30 years

Capital Commitments

At 31 March 2011 the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 budgeted to cost £5 million. Similar commitments at 31 March 2010 were £25 million.

The major commitments are:
Replacement school for Oakham Church of England Primary and The Parks – £3 million
Improvements to primary schools under Better Schools for All programme - £2 million

Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations at 1 April 2010 were carried out by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Surplus assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	1,092	-	1,092
Valued at fair value at 1 April 2010	-	41,129	-	1,500	42,629
Total cost or valuation	**-**	**41,129**	**1,092**	**1,500**	**43,721**

Note 13: Investment Properties

The authority has a number of properties that are let for industrial and commercial use, generating net income that is used to support other activities. In addition the authority holds other land and buildings that are not used for operational purposes and are classified as investment properties.

The following items of income and expense have been accounted for in the appropriate service line in the comprehensive Income and Expenditure Statement:

	2010/11	2009/10
	£000	£000
Rental income from investment property	(103)	(102)
Direct operating expenses arising from investment property	10	21
Net gain	**(93)**	**(81)**

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop or for repair, maintenance or enhancement of investment property.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11	2009/10
	£000	£000
Balance at the start of the year	1,226	731
Additions	4	102
Disposals	-	-
Net gains/losses from fair value adjustments	123	-
Transfers to/from Property, Plant and Equipment	761	393
Other changes	-	-
Balance at the end of the year	**2,114**	**1,226**

Note 14: Intangible Assets

2009/10 £000		2010/11 £000
	Balance at Start of Year	
124	Gross carrying amount	124
(9)	Accumulated amortisation	(115)
115	Net carrying amount	9
(106)	Amortisation for the Period	(9)
9	Net carrying amount at end of year	0
	Comprising	
124	Gross carrying amount	124
(115)	Accumulated amortisation	(124)
9		0

Note 15: Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2011 are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Financial liabilities (principal amount)	(21,386)	(21,386)	(11,469)	(12,090)
Accrued Interest	(186)	(186)	0	0
Financial liabilities at amortized cost	(21,572)	(21,572)	(11,469)	(12,090)
Total Borrowings	**(21,572)**	**(21,572)**	**(11,469)**	**(12,090)**
Loans and receivables (principal amount)	1,514	1,356	26,121	25,171
Accrued Interest	0	0	4	9
Loans and receivables at amortized cost	1,514	1,356	26,125	25,180
Total Investments	**1,514**	**1,356**	**26,125**	**25,180**

Loans and receivables include an investment with the Heritable Bank which is in administration.

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

	Financial Liabilities	**Financial Assets**	**Total**
	Liabilities measured at amortised cost £000s	**Loans and receivables £000s**	**£000s**
Interest expense	1,033	0	1,033
Impairment Gains / Losses	0	18	18
Total interest payable and similar charges	1,033	18	1,051
Interest and investment income	0	(153)	(153)
Net gain/(loss) for the year	**1,033**	**(135)**	**898**

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

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

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
PWLB debt	21,386	24,554	21,386	23,770
Non-PWLB debt	4,991	4,991	3,253	3,253
Total debt	26,377	29,545	24,639	27,023
Trade creditors	6,148	6,148	7,503	7,503
Total financial liabilities	**32,525**	**35,693**	**32,142**	**34,526**
Money market loans < 1 yr	18,159	17,864	20,118	19,840
Trade debtors	1,109	971	2,259	1,654
Total loans and receivables	**19,268**	**18,835**	**22,377**	**21,494**

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

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

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

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

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

Note 16: Inventories

	School stocks £000	Other stocks £000	Total £000
Balance outstanding at start of year	11	11	22
Movement in year	(5)	-	(5)
Written off balances	-	(11)	(11)
Balance outstanding at year end	**6**	**0**	**6**

Note 17: Construction contracts

The authority had no construction contracts in progress on behalf of government departments or other public bodies at 31 March 2011.

Note 18: Debtors

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Central Government bodies	1,341	2,929	1,495
Other local authorities	615	336	263
NHS bodies	-	25	-
Schools	186	59	73
Other entities and individuals	3,462	2,209	2,514
	5,604	**5,558**	**4,345**

Note 19: Cash and cash equivalents

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

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
5	5	Cash held by the authority	4
3,072	3,819	Bank current accounts in credit	4,944
18,250	19,680	Short-term deposits	17,877
21,327	**23,504**		**22,825**
(1,603)	**(3,253)**	Bank current accounts overdrawn	**(4,991)**
19,724	**20,251**	Total Cash and Cash Equivalents	**17,834**

Note 20: Assets Held for Sale

The authority has no assets held for sale at 31 March 2011.

Note 21: Creditors

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Central Government bodies	2,137	2,160	1,622
Other local authorities	822	989	739
NHS bodies	-	275	-
Schools	1,468	252	188
Other entities and individuals	6,262	8,021	6,186
	10,689	11,697	8,735

Note 22: Provisions

	Restructure	Outstanding legal claims	Financial instruments	Total
	£000	£000	£000	£000
Balance at 1 April 2010	**-**	**213**	**179**	**392**
Additional provisions made in 2010/11	123	128	14	265
Amounts used in 2010/11	-	(15)	(193)	(208)
Balance at 31 March 2011	**123**	**326**	**-**	**449**

Note 23: Usable Reserves

The authority maintains the following usable reserves at 31 March 2011:

Reserve	Purpose
General Fund	Statutory requirement for Council to maintain general reserves at appropriate level
Capital Receipts	Statutory requirement to hold receipts from disposal of assets until utilised to meet capital expenditure or applied to redeem debt
Capital Grants Unapplied	Statutory requirement to hold grants received until utilised to meet capital expenditure or applied to redeem debt
Earmarked Reserves	
Schools	Statutory requirement to maintain balances for schools under a scheme of delegation
Invest to Save	Reserve held to finance investment in services that will yield economic or efficiency gains in future years
Planning Delivery Grant	Reserve held to support continued development of Local Planning Framework
Internal Audit	Reserve held to support shared Welland Internal Audit service
Local Strategic Partnership	Reserve held to support future initiatives approved by Rutland Local Strategic Partnership
Catmose Extension	Reserve held for improvements to offices
Budget carry forward	Reserve held for expected future increase in demand for social care services

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 2.

Note 24: Unusable Reserves

31 March 2010		31 March 2011
£000		£000
6,346	Revaluation Reserve	26,642
41,495	Capital Adjustment Account	26,599
(179)	Financial Instruments Adjustment Account	-
1,360	Deferred Capital Receipts reserve	1,360
(33,638)	Pensions Reserve	(16,719)
99	Collection Fund Adjustment Account	97
(590)	Accumulated Absences Account	(549)
14,893	**Total Unusable Reserves**	**37,430**

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.

2009/2010		2010/2011	
£000		£000	£000
8,768	**Balance at 1 April**		**6,346**
654	Upward revaluation of assets	21,451	
-	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(899)	
654	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		20,552
(264)	Difference between fair value depreciation and historical depreciation	(241)	
(2,812)	Accumulated gains on assets sold or scrapped	(15)	
(3,076)	Amount written off to the Capital Adjustment Account		(256)
6,346	**Balance at 31 March**		**26,642**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

Capital Adjustment Account

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

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

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

Note 7 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

2009/2010		2010/2011	
£000		£000	£000
65,658	**Balance at 1 April**		**41,495**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
(3,322)	• Charges for depreciation and impairment of non-current assets	(2,591)	
	• Revaluation losses on Property, Plant and Equipment		
(106)	• Amortisation of Intangible Assets	(9)	
(24,065)	• Revenue expenditure funded from capital under statute	(2,121)	
(63,126)	• Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(26,110)	
(90,619)		(30,831)	
-	Adjusting amounts written out of the Revaluation Reserve	244	
(90,619)	Net written out amount of the cost of non-current assets consumed in the year		(30,587)
	Capital financing applied in the year:		
26,782	• Use of the Capital Receipts Reserve to finance new capital expenditure	624	
30,606	• Capital grants and contributions credited to the CIES that have been applied to capital financing	14,003	
8,279	• Application of grants to capital financing from the Capital Grants Unapplied Account	71	
1,291	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	991	
(502)	• Capital expenditure charged against the general Fund and HRA balances	2	
66,456			**15,691**
41,495	**Balance at 31 March**		**26,599**

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.

2009/2010		2010/2011	
£000		£000	£000
(278)	**Balance at 1 April**		**(179)**
56	Interest	28	
43	Impairment	(18)	
0	Write off adjustment to General Fund	169	
			179
(179)	**Balance at 31 March**		**0**

Pensions Reserve

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

2009/2010		2010/2011
£000		£000
(15,354)	**Balance at 1 April**	**(33,638)**
(18,031)	Actuarial gains or losses on pension assets and liabilities	10,853
(2,343)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	3,781
2,090	Employers pensions contributions and direct payments to pensioners payable in the year	2,285
(33,638)	**Balance at 31 March**	**(16,719)**

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 pace amounts are transferred to the Capital Receipts Reserve.

2009/2010		2010/2011
£000		£000
-	**Balance at 1 April**	**1,360**
1,360	Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the CIES	-
-	Transfer to Capital receipts Reserve on receipt of cash	-
1,360	**Balance at 31 March**	**1,360**

Collection Fund Adjustment Account

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

2009/2010		2010/2011
£000		£000
(34)	**Balance at 1 April**	**99**
133	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(2)
99	**Balance at 31 March**	**97**

Accumulated Absences Account

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

2009/2010		2010/2011	
£000		£000	£000
(516)	**Balance at 1 April**		**(590)**
516	Settlement or cancellation of accrual made at the end of the preceding year	590	
(590)	Amounts accrued at the end of the current year	(549)	
(74)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		41
(590)	**Balance at 31 March**		**(549)**

Note 25: Cash Flow Operating Activities

The cash flow for operating activities includes the following items:

2009/10		2010/11
£000		£000
70,200	**Net deficit on the provision of services**	**8,023**
	Adjustments to net deficit for non-cash movements	
(18,819)	Amortisation and depreciation charges	(28,739)
(73,386)	Impairment losses	(26,650)
9,265	Grants and contributions applied	13,980
16,111	Proceeds from sale of short-term investments	20,118
-	Proceeds from sale of other assets	2,292
253	Pensions fund	6,066
1,676	Movement in current assets	774
74	Movement in Accumulated Absences	(41)
5,374	**Net cash flows from operating activities**	**(4,177)**

Note 26: Cash Flow Investing Activities

2009/10		2010/11
£000		£000
20,201	Purchase of property, plant and equipment, investment property and intangible assets	17,712
24,064	Purchase of short-term and long-term investments	18,159
(27,173)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(145)
(16,111)	Proceeds from short-term and long-term investments	(20,118)
(80)	Other receipts for investing activities	(22,204)
901	**Net cash flows from investing activities**	**(6,596)**

Note 27: Cash Flow Financing Activities

2009/10		2010/11
£000		£000
(5,000)	Repayment of short and long-term borrowing	0
0	Other payments for financing activities	(2)
(5,000)	**Net cash flows from financing activities**	**(2)**

Note 28: Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement,
- the cost of retirement benefits is based on cash flows, i.e. payment of employer's pensions contributions, rather than current service cost of benefits accrued in the year,
- expenditure on support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the authority's Directorates recorded in the budget reports for the year is as follows:

	Adult Social Services, Health & Housing	Children's & Young Peoples Services	Development Services	Community Services	Corporate Services	Chief Executives	HRA	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges and other service income	(3,247)	(406)	(1,196)	(1,581)	(716)	0	(217)	(7,363)
Government grants	(229)	(28,785)	(11)	(3)	(7,060)	(14)	0	(36,102)
Total Income	**(3,476)**	**(29,191)**	**(1,207)**	**(1,584)**	**(7,776)**	**(14)**	**(217)**	**(43,465)**
Employee Expenses	3,307	4,233	2,006	2,167	3,191	401	0	15,305
Other operating expenses	7,945	28,631	1,794	8,347	9,443	28	138	56,326
Support Service Recharges (reported to management)	0	43	(11)	0	(27)	(5)	0	0
Total operating expenses	**11,252**	**32,907**	**3,789**	**10,514**	**12,607**	**424**	**138**	**71,631**
Net Cost of Services	**7,776**	**3,716**	**2,582**	**8,930**	**4,831**	**410**	**(79)**	**28,166**

Reconciliation to Subjective analysis

	Service Analysis	Services not in Analysis	Not reported to management	Not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Fees, charges and other service income	(7,363)	0	(331)	0	(43)	(7,737)	0	(7,737)
Interest and investment income	0	0	0	0	0	0	(153)	(153)
Income from Council Tax	0	0	0	0	0	0	(21,380)	(21,380)
Exceptional Pension Costs	0	0	(7,136)	0	0	(7,136)	0	(7,136)
Government grants and contributions	(36,102)	0	(13,981)	0	0	(50,083)	(11,993)	(62,076)
Total Income	**(43,465)**	**0**	**(21,448)**	**0**	**(43)**	**(64,956)**	**(33,526)**	**(98,482)**
Employee expenses	15,305	0	719	0	0	16,024	0	16,024
Other service expenses	56,326	0	4,580	0	0	60,906	0	60,906
Support Service recharges	0	0	(3,526)	0	43	(3,483)	0	(3,483)
Depreciation, amortization and impairment	0	0	30,421	0	0	30,421	299	30,720
Interest payments	0	0	0	0	0	0	1,816	1,816
Precepts and Levies	0	0	0	0	0	0	522	522
Total Operating Expenses	**71,631**	**0**	**32,194**	**0**	**43**	**103,868**	**2,637**	**106,505**
Surplus or Deficit on the provision of services	**28,166**	**0**	**10,746**	**0**	**0**	**38,912**	**(30,889)**	**8,023**

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

	2010/11
	£000
Net expenditure in the Directorate analysis	28,166
Amounts in the CIES not reported to management in the analysis	14,250
Cost of services in the CIES	42,416

Note 29: Acquired and Discontinued Operations

There are no operations that have been acquired or discontinued in the year.

Note 30: Trading Operations

The authority had no material trading operations which need to be disclosed separately under the Code.

Note 31: Agency Services

The authority had no material Agency Services which need to be disclosed separately under the Code.

Note 32: Road Charging Schemes under the Transport Act 2000

The authority does not operate any road charging or workplace charging schemes.

Note 33: Pooled Budgets

Under the terms of a Section 75 Agreement (Health Act 2006), the authority's social services department has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the Primary Care Trusts (PCTs). Leicester City PCT acts as the host authority. The total income to the pool for 2010/11 was £4.06 million of which Rutland County Council contributed £0.08 million (£0.07 million 2009/10). Total expenditure from the pool was £4.06 million.

The department has also entered into a pooled budget arrangement for the deprivation of liberty services with Leicestershire County Council and Leicestershire's PCTs. Leicestershire County Council acts as the host authority. The total income to the pool for 2010/11 was £0.684 million of which Rutland County Council contributed £0.018 million. Total expenditure from the pool was £0.498 million and the under-spend will be carried forward for use in future years

Note 34: Members' Allowances

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

	2010/11	2009/10
	£000	£000
Basic allowances	101	101
Special responsibility allowances	89	89
Expenses	12	9
Total	**202**	**199**

Note 35: Officers' Remuneration

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

Post Title	Note	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Benefits in kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive		111,285	162		963	112,410	19,614	132,024
Director of People's / Director of Children & Young People's Services	**1**	83,408	2,303		963	86,674	14,462	101,136
Director of Places / Assistant Director Community Services	**2**	73,913	1,198		963	76,074	12,836	88,910
Director of Resources / Head of Strategic Finance	**3**	69,356	6		530	69,892	12,045	81,937
Director of Development	**4**	43,954	59	27,759		71,772	7,437	79,209
Director of Community Services	**5**	37,675	313	39,516	482	77,986	141,612	219,598
Director of Adult Social Care, Health & Housing	**6**	45,001	997	75,350	575	121,923	7,614	129,537
Director of Corporate Services	**7**	61,095	496		963	62,554	0	62,554
Assistant Director Children & Young People's Service	**8**	59,540	916		963	61,419	10,074	71,493
Assistant Director Adult Social Care, Health & Housing	**9**	57,695	379		963	59,037	9,762	68,799
Total		**642,922**	**6,829**	**142,625**	**7,365**	**799,741**	**235,456**	**1,035,197**

Note 1 - The Director of Peoples post was filled on the 13th September 2010 and has an annual salary of £90,000. The occupant of this post was the previous Director of Children's & Young Peoples Services until the 12th September 2010 and had an annual salary of £75,350. This post is no longer included in the Establishment.

Note 2 - The Director of Places post was filled on the 13th September 2010 and has an annual salary of £85,000. The occupant of this post was the previous Assistant Director Community Services until the 12th September 2010 and had an annual salary of £60,363. This post is no longer included in the Establishment.

Note 3 - The Director of Resources post was filled on the 13th September 2010 and has an annual salary of £80,000. The occupant of this post was the previous Head of Strategic Finance which was removed from the Establishment on the 12th September 2010 and had an annual salary of £53,159. This post is no longer included in the Establishment.

Note 4 - The Director of Development post was vacated on the 31st October 2010 and attracted an annual salary of £75,350. It is no longer included within the Establishment

Note 5 - The Director of Community Services post was vacated on the 30th September 2010 and attracted an annual salary of £75,350. It is not longer included within the Establishment. As part of the termination package, early release of pension was permitted (see Note 47: Defined Benefit Pension Schemes).
Note 6 - The Director of Adult Social Services, Health & Housing post was vacated on the 9th November 2010 and attracted an annual salary of £75,350. It is no longer included within the Establishment
Note 7 - The Director of Corporate Services works 30 hours per week. The whole time equivalent salary is £75,350
Note 8 - The Assistant Director Children's and Young Peoples Service post was vacated on the 13th October 2010 and attracted an annual salary of £63,363 at that date. It is no longer included within the Establishment.
Note 9 - The Assistant Director Adult Social Care, Health & Housing post was vacated on the 13th October 2010 and attracted an annual salary of £60,363 at that date. It is no longer included within the Establishment.

During 2010/11 the Council underwent a significant restructuring affecting Senior Officers. Upon completion of this restructure only the Chief Executive and the Directors of Peoples, Places and Resources fulfil the criteria of Senior Staff. However, prior to the restructure a number of Officers fulfilled these criteria and therefore all are listed for transparency and to aid the comparison against 2009/10.

Post Title	Salary (Including fees and allowances)	Benefits in kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£
Chief Executive	109,185	906	110,091	19,243	129,334
Director of Children & Young People's Services	75,350	906	76,256	12,749	89,005
Director of Corporate Services	75,350	906	76,256	-	76,256
Director of Development	55,500	2,386	57,886	7,608	65,494
Director of Community Services	75,350	906	76,256	12,749	89,005
Director of Adult Social Care, Health & Housing	75,350	906	76,256	12,749	89,005
Assistant Director Children's & Young Peoples Service	60,000	906	60,906	10,152	71,058
Assistant Director Adult Social Care, Health & Housing	54,891	906	55,797	9,288	65,085
Asst Director Community Services	60,363	906	61,269	10,213	71,482
Head of Strategic Finance	53,711	-	53,711	9,105	62,816
Total	695,050	9,634	704,684	103,856	808,540

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

Remuneration band	2010/11 Number of employees	2009/10 Number of employees
£50,000 to £54,999	3	2
£55,000 to £59,999	4	1
£60,000 to £64,999	-	-
£65,000 to £69,999	-	1
£70,000 to £74,999	2	-

Note 36: External Audit Costs

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

2009/10		2010/11
£000		**£000**
152	Fees Payable with regard to external audit services carried out by the appointed auditor	150
17	Fees Payable in respect of statutory inspection	-
24	Fees Payable for the certification of grant claims and returns	25
-	Fees payable in respect of other services provided by the appointed auditor	1
193		**176**

Note 37: Dedicated Schools Grant

The authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, principally the Dedicated Schools Grant (DSG). 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 2008. 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 school. The DSG is included within the Income shown in the Comprehensive Income and Expenditure Statement.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central expenditure £000	Individual schools' budgets £000	Total 2010/11 £000
Final DSG for 2010/11	3,157	18,419	21,576
Brought forward from 2009/10	347	0	347
Agreed budgeted distribution in 2010/11	3,504	18,419	21,923
Actual central expenditure	(2,939)	0	(2,939)
Actual ISB deployed to schools	0	(18,419)	(18,419)
Carry forward to 2011/12	565	0	565

NOTE 38: Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Taxation and Non Specific Grant Income			
	BODY	**2010/11 £000**	**2009/10 £000**
Local Area Agreement Reward Grant	DCLG	373	-
Area Based Grant	DCLG	2,591	
Highways Maintenance	DfT	359	
Pot hole repairs	DfT	176	-
Think Family	DfE	359	
Other Grants	Various	391	
Total credited to Taxation and Non Specific Grant Income		**4,249**	**0**
Credited to Services			
	BODY	**2010/11 £000**	**2009/10 £000**
School Sport Partnership	DFE	122	136
Housing Benefit Subsidy	DWP	4,913	4,793
Council Tax Benefit Subsidy	DWP	1,884	1,775
Benefits Admin Claim	DWP	179	175
Housing Planning Delivery Grant	DCLG	-	152
Diploma Funding	DfE	124	60
Young Apprenticeship	LSC	104	73
Adult Learning Various	LSC	803	785
Playbuilder	DfE	-	100
Extended Schools Standards Fund	DfE	199	63
Early Year Extended Free Entitlement Standards Fund	DfE	256	73
Sure Start Early Years and Childcare	DfE	1,159	727
Think Family	DfE	-	134
Dedicated Schools Grant	DfE	21,576	20,582
Schools Standards Grant (inc personalization)	DfE	1,115	1,083
School Development Grant Standards Fund	DfE	973	1,075
Primary Strategy Standards Funds	DfE	228	230
121 Tuition Standards Funds	DfE	152	57
Unaccompanied Asylum Seeking Children	HO	129	166
Contact Point	DfE	23	111
Special Needs Post 16	LSC	110	94
Transforming Social Care	DOH	153	104
Supporting People / Handyperson	DCLG	-	773
Other Grants	Various	898	1,151
Total credited to Services		**35,100**	**34,472**
The authority has received a grant that has yet to be recognized as income as it has conditions attached that will require the monies to be returned to the grant awarding body. The balance at the year end is £150,000			

Capital Grants Received in Advance			
	BODY	2010/11 £000	2009/10 £000
One School Pathfinder	DFE	-	5,116
Carbon Target	DFE	-	473
Sure Start SSEYG	DFE	-	229
Sports England	Sports England	500	-
Young Peoples Learning Agency (LSC)	DFE	109	401
Primary Capital Programme	DFE	5,378	3,000
Targeted Capital Fund	DFE	5,342	2,000
Modernization	DFE	383	-
Rutland Workspace Centre	EMDA	-	102
Market Towns Challenge	EMDA	-	100
De-trunking Capital Grant	DfT	-	1,213
Primary Route Network	DfT	-	200
Highways Integrated Transport	DfT	-	120
Harnessing Technology	DCSF	-	211
Devolved Formula Capital	DCSF	416	1,036
Playbuilder	DCSF	63	100
Other Grants	Various	629	841
Total Capital Grants Received in Advance		**12,820**	**15,142**
Total of all grants		**52,169**	**49,614**

Note 39: Related Parties

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

Central Government

Central Government has effective control over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operated, 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 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

Rutland County College Trust

During the year to March 2011 the authority entered into a Trust with Rutland County College. The Governors of Casterton Business & Enterprise College (CBEC) were considering applying for Academy status during this period. As of 1st September 2011 CBEC became an Academy and as a result of this changes to the Trust status were agreed.

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 2010/11 is shown in Note 34. During 2010/11 no significant works and services were made to parties where Members had an interest.

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

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

Note 40: Capital Expenditure and Capital financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

2009/10 £000		**2010/11 £000**
27,000	*Opening Capital Financing Requirement*	*22,767*
	Capital Investment	
26,124	Operational assets	2,892
14,070	Non operational assets	14,820
2,182	Revenue expenditure funded from capital under statute	2,121
42,376		19,833
	Sources of Finance	
(21,909)	Capital receipts	(624)
(18,028)	Government grants & other contributions	(14,003)
(1,799)	Sums set aside from revenue (includes direct revenue financing & MRP)	(993)
(4,873)	Application of Unused Capital Receipts to Capital Adjustment Account	0
(46,609)		(15,620)
22,767	*Closing Capital Financing Requirement*	*26,980*
	Explanation of movement in the year	
(4,233)	Increase/(reduction) in the underlying need to borrow (partly supported by Government financial assistance)	4,213

Note 41: Leases

Authority as Lessee

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

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	127	107
Later than one year and not later than five years	139	186
Later than five years	205	222
Total	**471**	**515**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011	31 March 2010
	£000	£000
Minimum lease payments	145	201
Contingent rents	0	1
Total	**145**	**202**

Authority as Lessor

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

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

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

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	122	103
Total	**122**	**103**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 42: Private Finance Initiatives and Similar Contracts

The authority has no arrangements which fall within the definition of Private finance Initiatives or similar contracts.

Note 43: Impairment Losses

During 2010/11 the Authority has recognised impairment losses of £656,000. The most notable of these relate to Catmose House (£194,000) which was valued during the year on an Existing Use

Value basis, and Oakham Castle (£305,000), valued on a Depreciated Replacement Cost basis. Neither valuation affects the overall operational activity of each building.

Note 44: Capitalisation of borrowing costs

The authority has not capitalised any borrowing costs during the year.

Note 45: Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £942,266. Of this total £39,516 is payable to the Director of Community Services in the form of compensation for loss of office as disclosed in note 35, and enhanced pension benefits of £135,237. The remaining £767,513 is payable to and on behalf of 53 employees who were made redundant as part of a major reorganisation.

Note 46: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme administered by 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 technically a 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 2010/11 the authority paid £1.49 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£1.42 million and 14.1% 2009/10). There were no contributions remaining payable at the year-end.

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

Note 47: Defined Benefit Pension Schemes

a) Participation in pensions 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 pension schemes:

- the Local Government Pension Scheme, administered by Leicestershire County Council - this is a funded defined benefit final salary scheme, meaning that the authority and employees

pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets (see notes b to f below).
- the Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) (see note 46 above).

b) Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the 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 retirement benefits is reversed out 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:

2009/10 £000			2010/11 £000
	Comprehensive Income and Expenditure Statement		
	Cost of services:		
1,184	Current service cost		2,436
-	Past service costs		(7,136)
	Other operating expenditure:		
35	Curtailment and settlements		138
	Financing and Investment Income and Expenditure:		
3,188	Interest cost	3,930	
(2,064)	Expected return on assets in the scheme	(3,149)	
			781
2,343	**Net charge to the CIES**		**(3,781)**
	Movement in Reserves Statement		
(253)	Reversal of net charges made for retirement benefits in accordance with IAS19		6,066
2,090	**Actual amount charged against the General Fund balance for pensions during the year**		**2,285**

c) Assets and liabilities in relation to retirement benefits

Reconciliation of the present value of scheme liabilities:

31 March 2010 £000		31 March 2011 £000
45,998	Funded liabilities as at 1 April	77,157
1,184	Current service cost	2,436
3,188	Interest cost	3,930
793	Contributions by scheme participants	839
27,550	Actuarial gains and losses	(13,410)
35	Curtailments gain and losses	138
(1,591)	Benefits paid	(3,815)
0	Past service costs	(7,136)
77,157	**Funded Liabilities 31 March**	**60,139**

Reconciliation of fair value of scheme assets:

31 March 2010 £000		31 March 2011 £000
30,644	Assets as at 1 April	43,519
2,064	Expected return on assets	3,149
9,519	Actuarial gains and losses	(2,557)
2,090	Employer contributions	2,285
793	Contributions by scheme participants	839
(1,591)	Benefits paid	(3,815)
43,519	**Assets as at 31 March**	**43,420**

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.

The actual return on scheme assets during the year was an increase of £3.776 million (increase of £11.597 million 2009/10).

d) Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Fair value of assets in the Local Government Pension Scheme	38,393	39,405	30,644	43,519	43,420
Present value of liabilities	(46,200)	(46,395)	(45,998)	(77,157)	(60,139)
Surplus/(deficit) in the scheme	(7,807)	(6,990)	(15,354)	(33,638)	(16,719)
Experience gains/(losses) on assets	493	(2,769)	(12,807)	9,519	(2,557)
Experience gains/(losses) on liabilities	-	(5,534)	67	(152)	2,917

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £16,719 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 2012 is £2.027m.

e) Basis for estimating assets and liabilities

31 March 2010		31 March 2011
	Long term expected rate of return on assets in the scheme:	
7.8%	Equity investments	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Cash	4.6%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
20.8 years	Men	20.9 years
24.1 years	Women	23.3 years
	Longevity at 65 for future pensioners:	
22.3 years	Men	23.3 years
25.7 years	Women	25.6 years

31 March 2010		31 March 2011
3.8%	Rate of inflation	2.8%
5.3%	Rate of increase in salaries	5.1%
3.8%	Rate of increase in pensions	2.8%
5.5%	Rate for discounting scheme liabilities	5.5%
50%	Take-up of option to convert annual pension into retirement lump sum – pre 2008 Service	50%
75%	Take-up of option to convert annual pension into retirement lump sum – post 2008 Service	75%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of total assets held:

31 March 2010		31 March 2011
79%	Equity investments	82%
9%	Bonds	7%
12%	Property	11%
0%	Cash	0%

f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	1.28	(7.03)	(41.79)	21.87	(5.89)
Experience gains and losses on liabilities	0.00	(11.93)	0.15	(0.20)	4.85

Note 48: Contingent Liabilities

At 31 March 2011 the authority was a member of the Trust of Rutland County College. As part of the trust arrangement the Council had agreed to contribute up to £726,000 towards the future development and operation of the college, with the contribution being made from a sum to be received from the former operator of the college when the operation moves to new premises in 2012. The timing and specific amounts to be paid in any year as reimbursement to the College are uncertain and will be subject to annual confirmation.

Note 49: Contingent Assets

At 31 March 2011 the authority had no material contingent assets.

Note 50: Nature and Extent of Risk Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

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

Credit risk

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

The following analysis summarises the authority's potential maximum exposure to credit risk. The table gives details of global corporate finance average cumulative default rates (including financial organizations) for the period since at least 1990 to 2009. Defaults shown are by long-term rating category on investments out to one year, which were the most commonly held investments during the year. The maximum period of the authority's investments is currently three months.

	Amount at 31 March 2011 £000	**Historical experience of default** %	**Adjustment for market conditions at 31 March 2011** %	**Estimated maximum exposure to default** £000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions:				
AAA rated counterparties	5,560	0.00	0.00	0
AA rated counterparties	5,000	0.03	0.03	1.5
A rated counterparties	1,000	0.08	0.08	0.8
Other counterparties	6,599	42.67	42.67	2,815
Trade debtors	1,109	0.00	0.00	0

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

The authority has a £1 million deposit with Heritable Bank which was placed in administration in October 2008. The authority deposited £1m with Heritable Bank on 15 July 2008 at an interest rate of 6.09%, which should have matured on 15 January 2009. The latest creditor progress report issued by the administrators Ernst and Young in July 2011 noted that current projections suggest a best case return to creditors of 86 to 90 pence in the pound. At 31 March 2011 the authority had received repayments totaling £0.613 million and is expecting further repayments of £0.1 million during the 2011/12.

The authority does not generally allow credit for its trade debtors, such that £0.34m of the £1.11m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Period	**£000**
Less than three months	816
More than three months	293
	1,109

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 through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

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

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

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

Period	£000
Less than one year	-
Between one and two years	-
Between two and seven years	-
Between seven and 15 years	-
More than fifteen years	21,386

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

Period	£000
Less than one year	225
Between one and two years	130
Between two and three years	1
More than three years	127

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.11 million are not shown in the table above.

Market risk

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

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

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

The authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Officers in the finance team within the Resources directorate will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.
If all interest rates had been 1% higher (with all other variables held constant) the financial effect in 2010/11 would be:

Effect	**£000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(179)
Impact on Income and Expenditure Account	(179)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the methodology outlined in Note 15 above.

Price risk
The authority, excluding the pension fund, does not invest in equity shares.

Foreign exchange risk
The authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates

Note 51: Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statement are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1 Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result the authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used rather than when employees earn the benefits. Amounts are transferred to the Accumulated absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements.

	2009/10	Adjustments
	Statements	Made
	£000	£000
Opening 1 April 2009 Balance Sheet		
Accruals	8,219	516
Accumulated Absences Account	-	(516)
31 March 2010 Balance Sheet		
Accruals	11,340	590
Accumulated Absences Account	-	(590)
2009/10 Comprehensive Income and Expenditure Statement		
Cost of Services (Net)	110,498	736
Central Services to the Public	195	-
Cultural, Environmental, Regulatory and Planning Services	5,904	-
Education and Children's Services	6,666	739
Highways and Transport Services	4,580	-
Local Authority Housing (HRA)	83,511	-
Other Housing Services	899	-
Adult Social Care	7,473	-
Corporate and Democratic Core	942	-
Non-distributed Costs	311	(3)

2 Leases

Under IFRS leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease or vice versa.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements the annual charge to the General Fund (where the authority is the lessee) will be unchanged. Where the authority is the lessor the regulations allow the authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

There are no properties where the change in accounting treatment has a significant impact on the 2009/10 financial statements.

3 Government Grants

Under IFRS grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a Grants Deferred Account and recognised as income over the life of the assets which they were used to fund.

As a consequence of these changes the financial statements have been amended as follows:

- the balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet;
- portions of Government grants deferred that were previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures;
- for grants that were received in 2009/10 but not used, no income was recognised in respect of these grants which were shown in the Grants Unapplied Account within the liabilities section of the Balance Sheet. These grants are now recognised in full and transferred to the Capital grants Unapplied Account within the reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10	Adjustments
	Statements	Made
	£000	£000
Opening 1 April 2009 Balance Sheet		
Government Grants Deferred Account	12,286	(12,286)
Capital Adjustment Account	70,731	7,421
31 March 2010 Balance Sheet		
Government Grants Deferred Account	27,301	(27,301)
Grants Unapplied Account (liabilities)	9,265	(9,265)
Capital Adjustment Account	9,239	32,256
Capital Grants Unapplied Account (reserves)	-	9,386
2009/10 Comprehensive Income and Expenditure Statement		
Taxation and non-specific grant income	30,286	-

There is no change to the General Fund Balance as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

4 Schools

A number of schools which had been taken off balance sheet in 2007/08 to comply with accounting standards at that point have now been re-introduced under IFRS as described in Note 3 above.

The result of bringing these schools back on to the 2009/10 balance sheet:

	2009/10	Adjustments
	Statements	Made
	£000	£000
Opening 1 April 2009 Balance Sheet		
North Luffenham St Mary & St John CE Primary School	-	80
Oakham CE Primary School	-	1,747
English Martyrs RC Primary School Oakham	-	50
Ryhall CE Primary School	-	826
Uppingham CE Primary School	-	222
St Nicholas CE Primary School, Cottesmore	-	48
Whissendine CE Primary School	-	679
Empingham Primary School	-	683
Exton CE Primary School	-	437
Great Casterton CE Primary School	-	531
Ketton CE Primary School	-	1,126
Langham CE Primary School	-	1,010
Revaluation Reserve	(1,330)	(7,439)
31 March 2010 Balance Sheet		
Depreciation	(7,771)	(148)
2009/10 Comprehensive Income and Expenditure Statement		
Depreciation	(350)	148

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The Council disposed of its housing stock under a large scale voluntary transfer in November 2009 and received consent from the Secretary of State for Communities and Local Government to close its HRA at 31 March 2011. The transactions in 2010/11 relate to residual items.

HRA Income and Expenditure Statement

2009/10 £000		2010/11 £000
	Expenditure	
473	Supervision and management	2
726	Repairs and maintenance	(18)
84,677	Depreciation and impairment of fixed assets	-
873	Negative HRA subsidy payable	-
	Income	
(2,514)	Dwelling rents	(14)
-	HRA subsidy receivable	(49)
84,235	**Deficit/(surplus) for the year on HRA services**	**(79)**

Movement on the HRA Statement

2009/10 £000		2010/11 £000
(114)	Balance on the HRA at the end of the previous year	(120)
84,235	Deficit/(Surplus) for the year on HRA Income and Expenditure Statement	(79)
(84,241)	Adjustments between accounting basis and funding basis under statute	-
-	Transfer to General Fund on closure of HRA	199
(120)	**Balance on the HRA at the end of the current year**	**-**

Collection Fund

2009/10 £000		2010/11 £000	Note
	Income		
(22,275)	Council Tax (amount receivable net of benefits, discounts and transitional relief)	(22,784)	C2
	Transfers from General Fund:		
(1,745)	Council Tax benefits	(1,864)	
(9,347)	Income collectable from business ratepayers	(9,152)	C1
(33,367)		**(33,800)**	
	Expenditure		
23,852	Precepts and demands from major preceptors and the authority	24,543	C3
	Business Rates:		
9,273	payment to National Pool	9,059	C1
53	costs of Collection	53	C1
	Impairment of debts/appeals:		
30	write-offs of uncollectible amounts	19	
6	allowance for impairment	40	
-	Contributions towards previous year's estimated Collection Fund surplus	88	C4
33,214		**33,802**	
(153)	**Movement on fund balance**	**2**	
39	**Fund balance brought forward**	**(114)**	
(114)	**Fund balance carried forward**	**(112)**	C5

Note C1: National non-domestic rates (NNDR)

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount collectable, less certain reliefs and other deductions, is paid to a central pool managed by central government that is redistributed to local authorities through the formula grant system.

The total non-domestic rateable value as at 31 March 2011 was £25.173 million (the equivalent figure for 31 March 2010 was £22,352 million).

The NNDR multiplier for 2010/11 was 41.4 pence (2009/10 - 48.90 pence). The small business multiplier for 2010/11 was 40.7 pence (2009/10 - 48.1 pence).

Revaluation takes place every five years. In principle, the amount of revenue collected in rates should not change, in real terms, because of the revaluation. Instead, the purpose of revaluation is to redistribute the rates burden having regard to the new values. To achieve this aim, the multiplier is rebased for the first year of the new rating list to account for any overall changes in total rateable value. This accounts for the reduction in the multiplier for 2010/11 compared to the previous year, which reflects the revaluation that was effective from 1 April 2010.

Note C2: Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2010/11 is calculated as follows:

2009/10 Band D equivalent	Band	Number of chargeable dwellings (adjusted for dwellings where discounts apply)	Ratio	2010/11 Band D equivalent
2.08	A (with disabled relief)	6.00	5:9	3.33
822.14	A	1224.66	6:9	816.43
2,423.93	B	3186.41	7:9	2,478.32
2,192.57	C	2447.11	8:9	2,175.20
2,007.21	D	2045.36	9:9	2,045.36
2,444.98	E	2017.25	11:9	2,465.52
2,051.98	F	1421.65	13:9	2,053.49
1,879.42	G	1138.95	15:9	1,898.24
234.92	H	121.05	18:9	242.10
14,059.23				14,177.99
481.27	Ministry of Defence contribution in lieu of council tax			491.27
(140.59)	Allowance for non-collection			(141.78)
14,399.91	**Council tax base**			**14,527.48**

Note C3: Precepts and demands

Leicestershire Police Authority and Leicester, Leicestershire & Rutland Fire Authority issue precepts to the authority that must be collected as part of the overall council tax. Rutland County council itself also demands an amount to be collected which includes the amounts required by town and parish councils. The amounts paid for 2010/11 were as follows:

2009/10 £000		**2010/11 £000**
20,727	Rutland County Council demand	21,304
2,379	Leicestershire Police Authority	2,464
746	Leicester, Leicestershire & Rutland Fire Authority	775
23,852		**24,543**

Note C4: Estimated Collection Fund surplus

The authority estimates the year-end balance on the Collection Fund in January each year in accordance with regulatory requirements. The estimated balance is apportioned between the authority and the major precepting bodies in proportion to the value of the respective precepts and demands and either distributed, if a surplus is estimated, or collected if a deficit is estimated, in the following financial year. In January 2011 the estimated surplus at 31 March 2011 was £88,000 (31 March 2010 – Nil) which will be distributed as follows:

31 March 2010 £000		**31 March 2011 £000**
-	Rutland County Council	76
-	Leicestershire Police Authority	9
-	Leicester, Leicestershire & Rutland Fire Authority	3
-`		**88**

Note C5: Collection Fund balance

Although the Collection Fund is administered by the authority it does so as an agent for the major precepting bodies and is only required to account for its share of the balance within the Balance Sheet. This is included within Unusable Reserves as Collection Fund Adjustment Account and detailed in Note 24.

The balance at 31 March 2011 is attributed between the authority and the major precepting bodies as follows:

31 March 2010 £000		**31 March 2011 £000**
	Attributable share of surplus:	
99	Rutland County Council	97
11	Leicestershire Police Authority	11
4	Leicester, Leicestershire & Rutland Fire Authority	4
114		**112**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUTLAND COUNTY COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Rutland County Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Rutland County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director for Resources and auditor

As explained more fully in the Statement of the Strategic Director for Resources Responsibilities, the Strategic Director for Resources 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Rutland County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Rutland County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Rutland County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Bellamy, District Auditor
Officer of the Audit Commission

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29 September 2011