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Rutland County Council

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Ladies and Gentlemen,

A meeting of the **AUDIT AND RISK COMMITTEE** will be held in the Council Chamber, Catmose, Oakham LE15 6HP on **Tuesday, 19th September, 2017** commencing at 7.00 pm when it is hoped you will be able to attend.

Yours faithfully

Helen Briggs
Chief Executive

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

A G E N D A

APOLOGIES FOR ABSENCE

1) MINUTES

To confirm the minutes of the Audit and Risk Committee held on 11 July 2017 and the special meeting held on 30 August 2017.

2) MATTERS ARISING

3) DECLARATIONS OF INTEREST

In accordance with the Regulations, Members are invited to declare any disclosable interests under the Code of Conduct and the nature of those interests in respect of items on this Agenda and/or indicate if Section 106 of the Local Government Finance Act 1992 applies to them.

4) PETITIONS, DEPUTATIONS AND QUESTIONS

To receive any petitions, deputations and questions received from Members of the Public in accordance with the provisions of Procedure Rule 217. The total time allowed for this item shall be 30 minutes.

Petitions, declarations and questions shall be dealt with in the order in which they are received. Questions may also be submitted at short notice by giving a written copy to the Committee Administrator 15 minutes before the start of the meeting. The total time allowed for questions at short notice is 15 minutes out of the total time of 30 minutes.

Any petitions, deputations and questions that have been submitted with prior formal notice will take precedence over questions submitted at short notice. Any questions that are not considered within the time limit shall receive a written response after the meeting and be the subject of a report to the next meeting.

5) QUESTIONS FROM MEMBERS

To consider any questions received from Members of the Council in accordance with the provisions of Procedure Rule 95.

6) NOTICES OF MOTION

To consider any Notices of Motion from Members submitted under Procedure Rule 97.

7) STATEMENT OF ACCOUNTS 2016/17

To receive Report No. 157/2017 from the Director for Resources

***NOTE:** The Accounts and Audit (England) Regulations 2015 require the approval of the Statement of Accounts by 30 September. This date falls within the period normally allowed for Members to refer a committee decision to the Council. In accordance with Procedure Rule 110(7), the Committee will be asked to decide that the matter is of such urgency that no referral of the Committee's decision should be allowed.*

(Pages 5 - 120)

8) EXTERNAL AUDITORS REPORT

To receive Report No. 178/2017 from the Director for Resources.

(Pages 121 - 156)

9) EXCLUSION OF PRESS AND PUBLIC

The Committee is recommended to determine whether the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, as amended, and in accordance with the Access to Information provisions of Procedure Rule 239, as the following item of business contains exempt information as defined in Paragraph 7, Part 1 of Schedule 12A of the Act.

Paragraph 7: Information relating to any action taken or to be taken in

connection with the prevention, investigation or prosecution of crime.

10) ANNUAL FRAUD REPORT 2016/17

To receive Report No 161/2017 from the Director for Resources.
(Pages 157 - 180)

11) INTERNAL AUDIT UPDATE

To receive Report No. 177/2017 from the Head of Internal Audit.
(Pages 181 - 196)

12) REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

To receive a verbal update from the Director for Resources.

13) ANY OTHER URGENT BUSINESS

To receive items of urgent business which have previously been notified to the person presiding.

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DISTRIBUTION

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Miss G Waller (Chairman)	
Mr J Lammie (Vice-Chair)	
Mr N Begy	Miss R Burkitt
Mr G Conde	Mrs J Fox
Mr M Oxley	

OTHER MEMBERS FOR INFORMATION

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AUDIT AND RISK COMMITTEE

19 September 2017

STATEMENT OF ACCOUNTS 2016/17

Report of the Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager - Technical	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Committee:

1. Approves the Statement of Accounts for 2016/17 at Appendix A including the Annual Governance Statement

1 PURPOSE OF THE REPORT

- 1.1 This report presents the statutory Statement of Accounts (SoA) 2016/17 in the form prescribed by regulation (Appendix A) to meet the statutory requirement for the Council to approve and publish its annual statement of accounts by 30 September 2017.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The SoA is produced in line with International Financial Reporting Standards (IFRS) requirements which determine the contents and format of the Statement. There are no major changes in the IFRS requirements from those applicable in the previous year.
- 2.2 The financial outturn reported to Cabinet on 20 June 2017 (Report 111/2017) is incorporated into the SoA and Note 1 in Appendix A reconciles the reported figure to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

- 2.3 The SoA was certified as presenting a true and fair view of the authority's financial position by the Assistant Director – Finance (Section 151 officer) on 30 June 2017 (thus complying with the Accounts and Audit Regulations 2011). The SoA together with supporting working papers were then submitted to the external auditor to start their audit on 17th July and questions and issues raised during the course of the audit were logged and responded to promptly. The external auditor will report on his findings from the audit and give his opinion on whether the accounts provide a true and fair view.
- 2.4 At the Audit and Risk Committee meeting held on 11 July 2017 a draft Annual Governance Statement was reviewed and subject to minor changes agreed for inclusion within the Statement of Accounts (Report 122/2017). The Annual Governance Statement was submitted to the external auditor with the Statement of Accounts by 30th June 2017 in accordance with the regulatory requirements.
- 2.5 At the time of publishing this report the accounts the accounts are still going through the external audit clearance process, so there may be minor presentational changes to the final accounts presented to the Committee.

3 KEY ISSUES WITHIN THE SOA

- 3.1 **Pensions** - The Council's net pension liability for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has increased from £30.8 million (2016) to £37.8 million in the year to 31 March 2017. 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 have increased £10.9 million during the year, liabilities have also increased by £27.8 million. The main reason for the large movement is due to changes in financial assumptions within the pension fund with the rate of inflation increasing by 0.3%, increase in salaries and pensions by 0.2% and the rate for discounting scheme liabilities falling by 0.7%. The £37.8m liability is shown in the Pension Fund Reserve (note 31). Clearly, this figure could go up or down depending on return on investment, contribution rates, life expectancy etc. Every Council has a pension liability and the movement in the pension liability is consistent across the sector.
- 3.2 **Income and Expenditure** - The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The reasons for this are explained below.

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 13.

The table overleaf summarises the key movements on the CIES:

CIES Line	Amount (£m)
Cost of Services	36.9
Surplus on Disposal of Assets	(0.1)
Parish Precepts	0.6
Council Tax and Other Income	(40.6)
Interest & MRP	1.9
Surplus of Provision of Services (The true cost in accounting terms of providing services)	(1.3)

This converts into a deficit in GF reserves of £0.5m (as per the Council's management accounts) because some items included for accounting purposes above are not included for council tax setting purposes and some items not in the cost of provision of services are included for council tax setting purposes:

CIES Line	Amount (£m)
Surplus of Provision of Services	(1.3)
Remove items that are not included for Council tax setting purposes:	
Depreciation & Other Capital Charges <i>(are included for accounting purposes but for council tax setting purposes is removed and replaced by Minimum Revenue provision – an amount set aside for the repayment of debt)</i>	5.0
Capital Grants <i>(capital grants are removed because they are related to capital and hence excluded from revenue account for council tax setting purposes)</i>	(6.9)
Disposal of Assets <i>(Unlike a private company, the council works out loss/gain on assets for accounting purposes only. Any capital proceeds must be used to repay debt or reinvest in capital so are excluded as income from the revenue account for council tax setting purposes)</i>	0.1
Pension Movement <i>(This movement shows the difference between the actual amount paid over to the pension scheme and the amount of the increase in the net liability for the Councils pension scheme)</i>	1.3
Add back items that are not included for within the CIES:	
MRP <i>(this is the amount set aside for repayment of debt as indicated above)</i>	0.9
Other Items	0.4
General Fund deficit (as per outturn report 111/2017)	0.5

3.3 **Capital Expenditure** - No significant new assets were purchased. All capital expenditure (classed in additions in the table below) was related to enhancing existing assets. There were no major disposals during 2016/17. The revaluations

of assets during the year generated a decrease in value of £1.1m. Note 17 in the SoA shows the detailed movement on assets. The table below summarises these movements.

	Amount (£m)
Asset Valuation 1 April 2016	70.1
Depreciation	(2.0)
Disposals	(0.1)
Transfers to Intangible Assets (Adult Social Care System)	(0.6)
Revaluation Losses	(1.1)
Additions – This includes both the purchase of new assets, but also additional expenditure that enhances the value of our existing assets.	3.7
Asset Valuation 31 March 2015	70.0

3.4 **Debtors** – The table below shows the level of debtors as at the 31 March 2017. The table explains the key movements on the figures.

Amount 2015/16 (£m)	CIES Line	Amount 2016/17 (£m)
0.7	Central Government – <i>(This mainly represents grants that the council is entitled to during 2016/17 but have yet to be claimed. The reason for the decrease is in 2015/16 debtors included £0.3m for Travel 4 Rutland and £0.2m for Active Rutland Hub. Both projects are now finished).</i>	0.5
0.3	Other Local Authorities	0.4
0.3	NHS Bodies – <i>(The councils works closely with NHS Bodies to deliver services and during 2016/17 the Better Care Fund (BCF) continued to operate)</i>	0.5
0.1	Schools	0.1
3.2	Other Entities & Individuals – <i>(During 2015/16 the council agreed to sell Barleythorpe Hall, subject to conditions being met. During 2016/17 all of the conditions were met so the Council was able to account for the sale, but the outstanding cash from the sale (£0.9m) was not received until 2016/17).</i>	2.5
5.1	Total	4.0

3.5 **Provisions** – The Council creates a provision when it is aware of a liability it must settle, but is unsure of the timing of the settlement. The 2016/17 accounts contains

a provision relating to Business Rates Appeals of **£265k** – Businesses can lodge appeals to the Valuation Office against the rateable value of their business premises. These appeals can result in a decrease in the amount of rates payable and can be backdated. To mitigate the risk of the appeals a provision is created against the total value of appeals.

3.6 **Investments** – The amount held in relation to investments can be found on the balance sheet within the accounts. The total invested is a combination of two entries.

- **Short Term Investments £26m** – These cover fixed term investments, generally with banks and buildings societies. These mature over various points within the year and were for mixed terms but all for less than one year.
- **Cash & Cash Equivalents £1.4m** – These are investments that are held in instant access investment accounts

4 CHANGES MADE TO DRAFT ACCOUNTS PUBLISHED ON 30 JUNE 2017

4.1 There has been minor changes to various sections of the 2016/17 accounts, including;

- **Accounting Policies** – Minor changes due to change in presentation of the CIES
- **Main Statements and Supporting Notes** - Minor presentational changes

5 CONSULTATION

5.1 Under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the public have been able to view and comment on the accounts from the 3 July 2017 until 11 August 2017. At the time of writing the report there had been no requests to view or comment on the accounts to either the Council or to the Auditors.

6 ALTERNATIVE OPTIONS

6.1 The Audit and Risk committee could choose not to approve the Statement of Accounts 2016/17 and the Annual Governance Statement. However, doing so would result in the Council not meeting its statutory duty to approve and publish audited accounts by the 30 September 2017.

7 FINANCIAL IMPLICATIONS

7.1 The key financial aspects of the accounts are included within section 3. There are no direct implications associated with approving the Statement of Accounts.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

8.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to approve the Councils Annual Statement of Accounts and Annual Governance Statement.

8.2 Other than the statutory requirement to publish the signed audited accounts by the 30 September 2017, there are no further legal considerations.

9 EQUALITY IMPACT ASSESSMENT

9.1 An Equality Impact Assessment (EqIA) has not been completed because the report does not represent the introduction of a new policy or service or a change / review to an existing policy or service.

10 COMMUNITY SAFETY IMPLICATIONS

10.1 There are no community safety implications.

11 HEALTH AND WELLBEING IMPLICATIONS

11.1 There are no health and wellbeing implications.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

12.1 This report presents the audited Statement of Accounts for the financial year 2016/17 highlights some of the key matters, and asks the Audit and Risk Committee to approve them in line with their constitutional responsibility.

13 BACKGROUND PAPERS

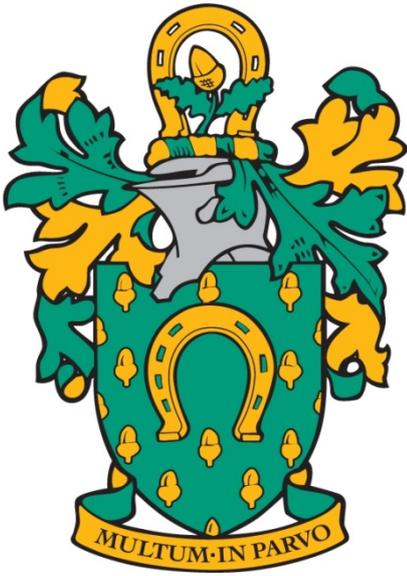
13.1 Revenue and Capital Outturn (111/2017)

14 APPENDICES

14.1 Appendix A – Statement of Accounts

14.2 Appendix B – Key Statements Explained

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



Rutland County Council

Statement of Accounts 2016/17

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

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Rutland County Council

Statement of Accounts 2016/17

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Narrative Report

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

I have prepared this Narrative Report to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2017. My intention in producing this report is to give electors, local residents, Council Members, partners, stakeholders and other interested parties the assurance that the public money received and spent has been properly accounted for and that the financial position of the Council is secure, to give a brief summary of the overall financial position of the Council, to give details of how the Council's budget is spent and financed, and to explain the purpose of the financial statements contained within the Council's accounts.

The Narrative Report is structured as follows:

1. An Introduction to Rutland County Council
2. Council Performance
3. Financial Performance
 - a. Key Issues that have influenced the Financial Position for 2016/17
 - b. Key Events affecting the Council in 2016/17 and a look ahead to future years
 - c. Review of financial performance in 2016/17
4. Principle Risks and Uncertainty; and
5. Further Information

1. Introduction to Rutland County Council

Rutland County Council is a Unitary Authority located in the East Midlands, with Lincolnshire, Leicestershire and Northamptonshire being the bordering counties. Rutland was named in the top 20 best rural place to live in Britain in the annual Halifax Rural Areas Quality of Life Survey in February 2017.

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

The population of the county is 37,400 (source: ONS, 2011 Census) which has increased by 8% since 2001. The population is projected to grow by a further 12% by 2020. The number of households in the county is 16,765 as at January 2016. The demographics for the county show that whilst there is a predicted 12% increase in population by 2020, there will be a larger increase in the over 64 years old age group of 25%. This will have an impact on the services that the Council provide to this age group in years to come.

The area is relatively affluent when compared with other areas of England, with only small pockets of deprivation. This is shown in the overall employment rate of the working age population in Rutland of 77.8% compared to the East Midlands average of 73.5%. The make-up of the county's population shapes the delivery of services by the Council, with the aims and objectives of the Council being set to meet to the needs of its residents.

The Council, as a Unitary Authority, provides all county council and district council services (see the pie chart 'What services have been provided with the money' in Section 4 below for a summary). The Council has 26 elected members representing the 16 wards of the county. The political make-up of the Council at the end of the financial year was 18 - Conservative, 4 - Independent, 2 - Liberal Democrats, 2 - Non Aligned.

The Council has adopted the Leader and Cabinet model. A new Leader, Cllr Tony Mathias, was elected in January 2017 following the resignation of the then Leader Cllr Terry King. By the end of 2016/17 Cabinet comprised 6 Conservative members with responsibility for the following Portfolio areas:

1. Finance and Places (Highways, Transport and Market Towns);
2. Growth, Trading Services and Resources (except Finance);
3. Community Safety, Culture, Sport & Recreation and Environment;
4. Lifelong Learning;
5. Adult Social Care and Health; and
6. Children and Young People (Safeguarding)

There is a management structure in place to support the work of elected members and is headed by the Strategic Management Team. There have been no changes since last year. At the end of the year, members of this team included:

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

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

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

	Complete the improvement of roll out of broadband, developing and implementing a strategy for 2020 connectivity for the County
Safeguarding Safeguard the most vulnerable and support the health & well-being needs of our community	<p>Ensure that our procedures and practices support out duty to effectively safeguard vulnerable adults, children and young people</p> <p>Decreasing the impact of smoking, obesity and alcohol consumption on the health and well-being of our community</p> <p>Continuing to support the development of a vibrant Voluntary, Community and Faith Sector to support our communities through strategic commissioning</p> <p>Demonstrate improved road safety by reducing the number of people injured on our roads Make people feel safer by continuing to ensure low levels of crime and anti-social behaviour</p>
Reaching our Full Potential Plan and support future population and economic growth in Rutland to allow our businesses, individuals, families and communities to reach their full potential	<p>Supporting expanded provision in Primary Care</p> <p>Ensuring there are adequate school places supported by appropriate transport</p> <p>Improving performance across all Rutland Schools Narrowing the performance gaps for Looked After Children, Children with Special Educational Needs and between boys and girls</p> <p>Raising skills levels throughout the adult population</p> <p>Continuing to reducing crime and anti-social behaviour</p> <p>Support our communities to access cultural, recreational and volunteering opportunities</p>
Sound Financial and Workforce Planning Ensure that our medium term financial plan is in balance and is based on delivering the best possible value for the Rutland pound	<p>A balanced MTFP</p> <p>Undertaking, over the life of the Council, a Zero Based Budget review of all expenditure and income</p> <p>Review the Council’s property portfolio to ensure we are making best use of our assets – this will include our Libraries, Rutland County Museum, Catmose and all other properties</p> <p>Maximise collection and recovery rates</p> <p>Drive efficiencies in back office support through improved use of technology</p> <p>To transform customer access to services through the provision of multi-channel services</p> <p>To be an ‘employer of choice’ through the delivery of our workforce development strategy</p> <p>To support and develop our workforce</p>

2. Council Performance

The Council regularly produces reports to Cabinet on performance against the Council's strategic aims and the Corporate and Council Priority of Delivering Council Services within our Medium Term Financial Plan. The outturn report was presented to Cabinet on 20 June 2017 concerning performance to the 31 March 2017.

At the end of the year 85% of indicators were on or above target. The link to the report is below

<http://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=1657>

3. Financial Performance

a) Key Issues that have influenced the Financial Position for 2016/17

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

The key outcomes of the settlement were:

- The Council's allocation for 2016/17 for Revenue Support Grant (RSG) was £2.39m (compared to £4.09m in 15/16);
- The loss in RSG was compensated for through a transitional grant of £340k and Rural Service Delivery grant of £843k;
- The Council was allowed to increase Council Tax by a further 2% for social care – this generated in excess of £400k to meet the costs of social care;
- The Council pays a tariff out of its share of the business rates collected of c£0.8m and a levy on any growth in business rate income above the baseline of 16.34% for 2016/17. The tariff and levy are applied on the Council's share of business rates (approx. 49% of the total amount collected).

The budget for the year was set assuming that all existing services were to continue, providing the same standards as in the previous year and the associated costs formed the base budget for 2016/17.

Key features of the budget of £33.993m included:

- service pressures of £637k, other uncontrollable pressures e.g. pay inflation, NI increases of £425k, a provision for the interim cost reduction programme of £80k and contracts/activity increase of £350k;
- savings of £1.256m in year; and
- the transfer of £632k to General Fund reserves (originally £377k of General Fund reserves for 16/17 were to be used but the Council received additional funds in the final settlement).

The Medium Term Financial Plan (MTFP) for 2016/17 to 2020/21 was approved by Full Council on in February 2016. Over the period it assumed a continuation of the existing services with allowances for service pressures, inflation and planned savings for 2016/17 and beyond all built in. As the funding position was set out in the 4-year offer, the Council was also able to build in funding figures up to 19/20 with some certainty. Beyond that the Council assumed that funding would reduce further.

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

A capital programme for 2016/17 was approved and was based on known and forecast levels of external funding for capital schemes and an assessment of the resources likely to be available from asset disposals. Any impact on revenue as a result of this was built into the MTFP.

The Treasury Management Strategy 2016/17 was approved by Full Council in 23 February 2016. The Strategy complied with the Local Government Act 2003 and supporting regulations which require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators that ensure that the Council's capital investment plans are affordable, prudent and sustainable. It also set out the treasury strategy for borrowing and the annual investment strategy. The key point to note in relation to the impact on revenue balances for 2016/17 was in order that returns can be maximised with secure organisations, the middle limit category for UK banks was increased to £5 million for a maximum time limit of 364 days per investment) as the Council was able to secure better rates over a longer period. However, because of the economic climate interest rates remained at very low levels and again a lower interest return was achieved compared to the prior year.

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

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

The Council's net pension liability for the Local Government Pension Scheme has increased from £30.8 million to £37.8m in the year to 31 March 2017. There are two main elements that create this liability, the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has increased by £10.9 million during the year, at the same time liabilities have increased by £17.9 million.

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

b) Key Events affecting the Council in 2016/17 and a look ahead to future years

In May, the Oakham Castle was reopened having been repaired and restored using a £2.1million Heritage Lottery Fund grant. The renovations have conserved the grade I listed building, a scheduled ancient monument, and turned it into a first-class culture and heritage centre – preserving the castle’s key features and adding brand new interactive displays and exhibits for guests to enjoy. The Council continues to look at how it can make best use of the Castle to generate additional income.

In June, the care and support that the Council provides to adults with learning disabilities in their homes was rated as ‘Good’ following an inspection by the [Care Quality Commission \(CQC\)](#). In all areas, inspectors rated the service as ‘Good’ and remarked that staff promoted independence and provided a consistent level of support.

In July, Cabinet agreed to the expansion of Oakham Enterprise Park with an additional £500k investment. Having purchased the site for £1.4m in 2012, the site is now valued at in excess of £6m and is a home for over 100 small and medium sized businesses. The Council is still looking at how to use this investment to deliver the best possible return. In January 2017, the Council approved the redevelopment of the Barleythorpe College Site into a business centre for start-up and early stage businesses with growth potential. The Council continues to explore how it can use funds to generate a revenue stream to help reduce net costs.

In August, the Council announced plans for an innovative new Scrutiny process that will give our Scrutiny Panels a greater role in assisting the creation of new policies. For the first time, all four panels made a commitment to work together to consider one specific issue each year starting with Poverty in Rutland. Each panel considered various issues which have culminated in the production of a Green Paper that is out for consultation. It is intended that work on the project will continue into 2017/18 culminating in a White Paper.

In September, the Council approved plans to relocate Visions Children’s Centre to Oakham Library, increasing student capacity at Catmose College. With demand on pupil places expected to rise in the county in coming years, relocating Visions to Oakham Library will create space towards a target of 150 additional secondary school places at Catmose College while also allowing the Council to improve its offer for families who use the centre.

In November the MOD confirmed that St George’s Barracks was one of a number of MOD sites that have been under review as part of the government’s Defence Estate Rationalisation and Optimisation programme. The base has been recommended for closure, although this is unlikely to come into effect until 2020/21 at the earliest. The Council continues to work with the Defence Infrastructure Organisation (DIA) to look at the potential for St George’s Barracks as part of its One Public Estate project.

Throughout the year, Leicester, Leicestershire and Rutland (LLR) has been working on its multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years. As primary, secondary and social care is all under demand pressure this is an important plan.

The LLR STP has been submitted and has been discussed at the Health and Wellbeing Board. Consultation will take place in 2017. The approach being taken is a ‘place based budget’ one (single system control total) that looks across organisations at the ‘LLR pound’ and which focuses on new ways of working and models of care that manage demand and are more efficient. There are 5 big issues being tackled including: a) Urgent & emergency care, b) Integrated teams, c) General practice resilience d) Service reconfiguration and e) Operational efficiency.

The Council is already working across LLR on joint commissioning opportunities and in some areas has joint teams. There are further plans for integration as the Council implements a ‘home first’ model in

which more services are delivered at home or in community settings, with a concomitant decrease in the reliance on hospital wards as the setting for care.

The Council undertook two significant IT project implementations in 2016/17. Liquid Logic (the Council's new social care system) went live for both adults and children's social care in April and June respectively. The new system is still being embedded but will help address some of the issues around recording and reporting that were raised in the OFSTED inspection of children's services. The Council also upgraded its resource management system (Agresso). Part of the upgrade involved Herefordshire Council hosting and operating the system through an Service Level Agreement. The new version went live in December 2016. Both projects involved significant investment of time and resources but have been successful.

In January, Councillor Terry King resigned as Leader and Ward Member for Exton following an extended leave of absence. Councillor Tony Mathias was elected as the new Leader of Rutland County Council by majority vote at a Special Council Meeting on Thursday 26th January. Following the vote, Cllr Mathias appointed Cllr Oliver Hemsley as Deputy Leader and announced that Cllr Alan Walters would be joining the Cabinet as Portfolio Holder for Community Safety, Culture, Sport & Recreation and Environment.

Rutland's children's services were inspected by Ofsted from 15th November to 8th December 2016. In a final report published on 13th February 2017, Ofsted has highlighted the good work being done by our staff on behalf of children in Rutland and provided us with an indication of where improvements are required in order for children's services in Rutland to be rated as 'Good'. The table below shows the results of the Ofsted Inspection

Children's services in Rutland requires improvement to be good	
1. Children who need help and protection	Requires improvement
2. Children looked after and achieving permanence	Requires improvement
2.1 Adoption performance	Requires improvement
2.2 Experiences and progress of care leavers	Good
3. Leadership, management and governance	Requires improvement

A copy of the final report can now be read in full on the Ofsted website:

<https://reports.ofsted.gov.uk/local-authorities/rutland>

While the Council is making significant progress, there are a number of areas where improvement is needed before our children's services can be rated as 'Good'. In many cases we are already working hard to address the points that have been raised and are determined to achieve the best possible outcomes for children in Rutland. The Council has already taken some positive steps and this work continues.

The Council's Medium Term Financial Plan (MTFP) and budget 2017/18 were approved in February 2017 by Full Council. The key message in relation to the MTFP was that the national economic position remains extremely challenging and there was little change to the 4-year offer previously made by Government. Additional funding was received for Adult Social Care in the settlement and then a further amount was made available following the Chancellors budget in March. Against a backdrop of continued reductions in funding, the Council raised council tax by 4%.

The Council remains in a strong position to deal with the financial challenge to reduce net costs by c£1.5m - £2m over the next 4 years. There are still lots of unknowns and uncertainty in respect of the impact of demographic changes, social care cost pressures and Brexit. The Council is in dialogue with

its advisers (LG Futures and Capita) and its auditor (KPMG LLP) – and is following the national economic position but the view is that it is still too early to get a clear picture on what it might mean for Rutland.

As part of its response to emerging issues, the Council continues to explore the most effective ways to manage its property estate, options for service integration and ways to work effectively with our Public Sector Partners to achieve the best outcomes for Rutland and the Rutland community. The Council is keen to embrace the One Public Estate initiative and is submitting a bid for funding which will allow it to explore the options in Rutland for Public Sector partners to review their assets and test the feasibility of the creation of alternative arrangements. Initially the project will focus on St George's Barracks and the concept of an Oakham Hub for all public sector partners.

c) Review of Financial Performance in 2016/17

In February 2016 the Council set out its MTFP that took into account assumptions on levels of council tax and government support, inflationary and demand led spending pressures and the impact of its capital programme over a 5 year period.

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

In overall terms, the Council has achieved a surplus of £0.326m compared to a current budget surplus of £0.775m. At the Net Cost of Services level the Council's outturn is £34.002m compared to the revised budget of £35.091m. This represents an under spend of £1.089m (circa 2.9%).

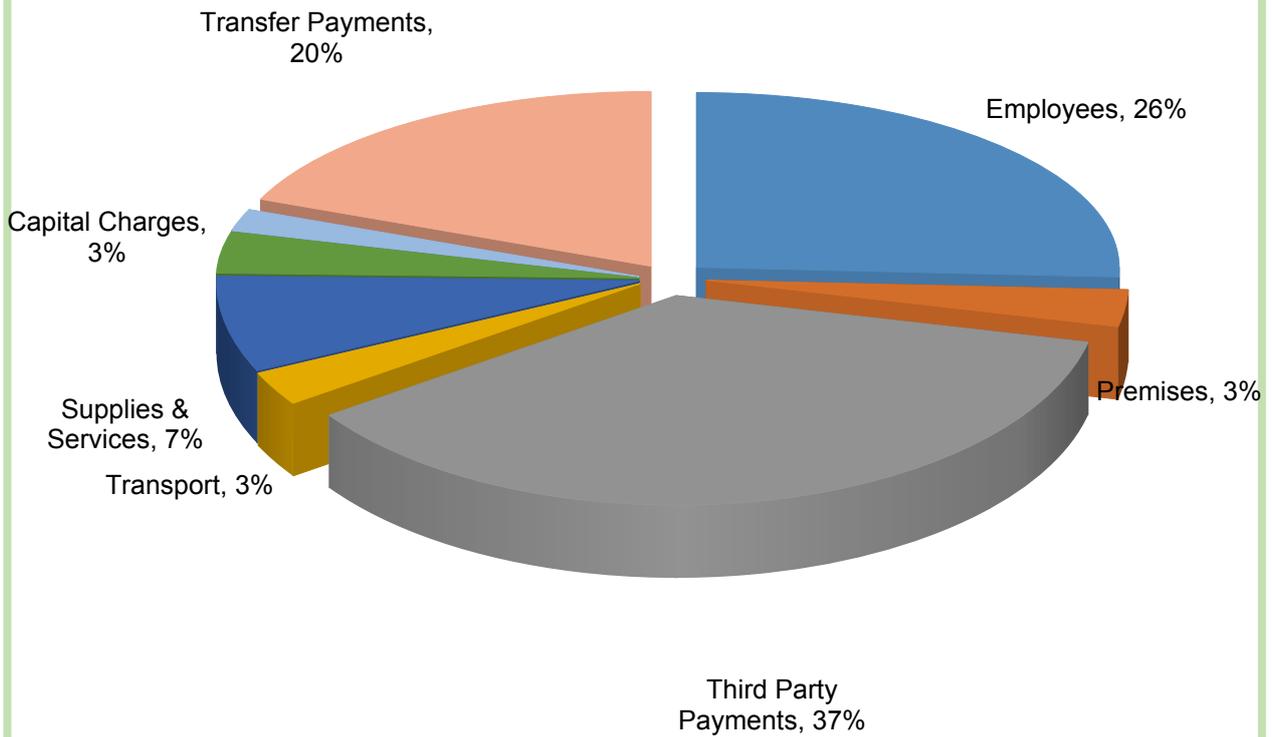
The reported surplus is broadly in line with what has been reported in previous quarters. At Net Cost of Service level the quarterly forecasts throughout the year have reduced each quarter reflecting the greater likelihood that some budgets would not be spent and would need to be carried forward or savings made in anticipation of savings targets built into the budget in 2017/18. The full outturn report presented to Cabinet in June can be found on the link below:

[Outturn 2016/17](#)

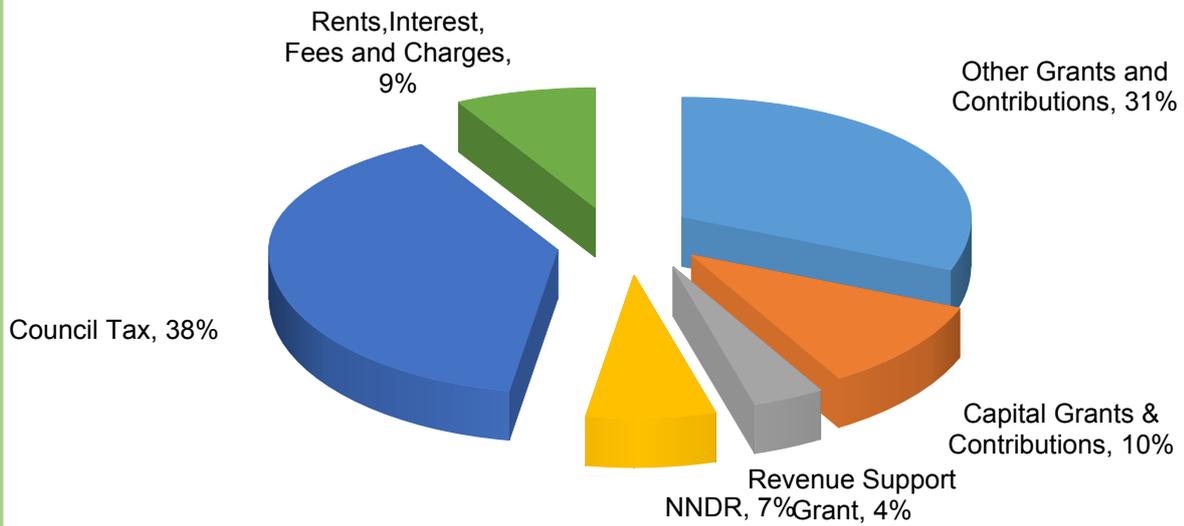
The MTFP as reported to Cabinet in February set out a Net Cost of Service budget for 2017/18 of £34.020m.

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

What the Money was Spent On



Where the Money Came From



General Fund Revenue Account

The following table summarises the position for the General Fund for 2016/17. The outturn presents an overspend against the budget At a Net Cost of Services level, the under spend was just over £1m despite significant pressures in adoption and fostering, waste management and children's social care. The underspend arose because officers wish to carry forward over £1.6m to use either next year or in future years on project which are still ongoing. In effect this means the overall position is an 'overspend' of £449k.

General Fund	Revised Budget £000	Outturn £000	Variance £000
Net cost of Services	35,091	34,002	(1,089)
Other Operating costs	1,711	1,676	(35)
Net Operating Expenditure	36,802	35,678	(1,124)
Financing	(37,577)	(36,004)	1,573
(Surplus)/Deficit for year	(775)	(326)	449

Capital

Capital Expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £5.338m, compared to the approved capital project budget of £12.119m (i.e. 44% of the approved programme was actually spent) with £0.174m declared as an underspend due to changes to the schools capital programme, and the remaining balance being carried forward for completion in future years.

Expenditure was funded from external grants and contributions (£3.933m), borrowing (£0.928m), Capital Receipts (£0.168m), Section 106 (£0.122m) and the remainder (£0.186m) from revenue contributions.

Capital Expenditure	Revised Budget £000	Outturn £000	Variance £000
People	896	539	(357)
Places	11,178	4,754	(6,424)
Resources	45	45	0
Total Capital Expenditure	12,119	5,338	(6,781)

4. Principle Risks and Uncertainty

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process was re-presented to the audit and risk committee in May 2017, and satisfied all assurance requirements. Below are our top risks from the Council's comprehensive risk register.

Risk	Impact	Mitigation
Failure to secure delivery of change required within Health and Social Care	Ineffective service delivery and on-going cost pressure and impact on MFTP	Continue to make adequate and appropriate provision within our MTFP. Continue with Care Pathway reviews and changes.

Risk	Impact	Mitigation
		<p>Ensure our commissioning framework is sufficiently flexible to accommodate pressure from spikes in demand.</p> <p>Expand Better Care Fund (BCF) to accommodate the impact of left shift</p> <p>Need to remain engaged in Better Care Together (BCT) project.</p> <p>Quantify and risk assess the impact on Social Care of BCT changes.</p>
<p>Long term failure to achieve educational attainment</p>	<p>Potential external intervention</p> <p>Reputation damage</p>	<p>Monitoring by officers.</p> <p>Education Performance Board to review schools.</p> <p>Increased scrutiny and intervention in schools causing concern.</p> <p>Regular liaison with Department for Education and Ofsted.</p> <p>Effective Early Help support.</p>
<p>There is a risk that the Council cannot meet its statutory requirement to produce a robust and balanced budget now or in the medium term</p>	<p>Breach of statutory requirement</p> <p>Drastic action needed to rectify the position (e.g. cuts)</p> <p>Erosion of reserves below recommended levels</p>	<p>Lobbying of Government (done individually and with the Local Government Association/SPARSE).</p> <p>Key savings programmes monitored by Directorate team, Senior Management Team and through quarterly monitoring.</p> <p>Savings programmes in place and under constant review.</p> <p>Maintenance of a 5 year medium term financial plan (MTFP) with funding and other risks detailed in Budget and Quarterly reports.</p> <p>Risks quantified as far as possible and built into MTFP, e.g. Living Wage, Contracts.</p> <p>Overall financial context discussed and shared with SMT/Cabinet formally and informally including sensitivity analysis over key variables.</p> <p>Economic development plan in place</p>

Risk	Impact	Mitigation
<p>Failure to deliver key services should a significant business interruption occur, including supplier failure</p>	<p>Breach of standard duty</p> <p>Failure to deliver key services</p> <p>Reputational damage</p>	<p>and key growth project (Oakham Enterprise Park).</p> <p>A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required.</p> <p>A Major Incident Plan has been prepared which defines a structure to:</p> <ul style="list-style-type: none"> Confirm the nature and extent of any incident; Take control of the situation; Contain the situation; and Communicate with shareholders <p>Specific recovery plans are in place for the 5 key threats:</p> <ul style="list-style-type: none"> Loss of key staff; Loss of telephone system; Loss of buildings; Loss of ICT; and Loss of utilities <p>Business continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from any site in the event of an incident.</p> <p>Contract procedure rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately.</p>
<p>Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.</p>	<p>Intensive scrutiny by public and press</p> <p>Potential external intervention</p> <p>Potential loss of frontline staff</p> <p>Potentially high legal costs</p> <p>Reputation damage</p> <p>Requirement to undertake and publish a serious case review</p>	<p>Processes and procedures in place to protect the most vulnerable.</p> <p>Scrutiny and overview from the Safeguarding Boards.</p> <p>Monthly performance and financial monitoring by senior officers and update reports to Cabinet.</p> <p>High quality, timely information contained within case files.</p> <p>High quality, timely management oversight by DASM.</p> <p>Ensuring we have sufficient expert and competent staff.</p>

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

Risk	Impact	Mitigation
		process.

5. Further Information

Further information about these accounts is available from:

Mr Saverio Della Rocca Assistant Director of Finance Rutland County Council Oakham Rutland LE15 6HP sdellarocca@rutland.gov.uk	Mr Andrew Merry Finance Manager - Technical Rutland County Council Oakham Rutland LE15 6HP amerry@rutland.gov.uk
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Information on the Councils services and activities can also be located on our website:
www.rutland.gov.uk

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Approval of the Statement of Accounts

To be completed when audited accounts taken to Audit and Risk Committee

Signed on behalf of Rutland County Council:

Councillor G Waller
Chair, Audit and Risk Committee

The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the draft Statement of Accounts on pages 16 to 75 presents a true and fair view of the financial position of the Council at 31st March 2017 and its income and expenditure for the year ended 31 March 2017.



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

Comprehensive Income and Expenditure Statement (CIES)

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

	2015/16			Comprehensive Income & Expenditure Statement (CIES)	Notes	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000			Gross Income £000	Net Expenditure £000	
31,539	(15,263)	16,276	People		32,603	(15,622)	16,981	
17,974	(3,982)	13,992	Places		18,568	(3,938)	14,630	
11,887	(6,518)	5,369	Resources		11,741	(6,438)	5,303	
61,400	(25,763)	35,637	Cost of Services		62,912	(25,998)	36,914	
8,657	(1,523)	7,134	Other Operating Expenditure	9	779	(189)	590	
2,397	(254)	2,143	Financing & Investment Income & Expenditure	10	2,134	(254)	1,880	
125	(40,333)	(40,208)	Taxation & Non-Specific Grant Income	11	-	(40,638)	(40,638)	
72,579	(67,873)	4,706	(Surplus) / Deficit on Provision of Services		65,825	(67,079)	(1,254)	
		(1,394)	Surplus on Revaluation of Non-Current Assets				(312)	
		(13,127)	Actuarial (Gains) / Losses on pension Assets / Liabilities				5,629	
		(14,521)	Other Comprehensive Income & Expenditure				5,317	
		(9,815)	Total Comprehensive Income & Expenditure				4,063	

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Movement in Reserves Statement

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

Movement in reserves during 2015/16 and 2016/17	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance 1 April 2015	9,675	7,769	-	3,748	21,192	10,635	31,827
<i>Surplus / (Deficit) on Provision of Services</i>	(4,706)	-	-	-	(4,706)	-	(4,706)
<i>Other Comprehensive Income & Expenditure</i>	-	-	-	-	-	14,521	14,521
Total Comprehensive Income & Expenditure	(4,706)	-	-	-	(4,706)	14,521	9,815
<i>Adjustments between accounting basis and funding basis under regulations (Note 13)</i>	4,556	1,580	1,471	113	7,720	(7,720)	-
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	(150)	1,580	1,471	113	3,014	6,801	9,815
<i>Transfers to / (from) Reserves</i>	620	(620)	-	-	-	-	-
Increase/(Decrease) in 2015/16	470	960	1,471	113	3,014	6,801	9,815
Balance 31 March 2016	10,145	8,729	1,471	3,861	24,206	17,436	41,642
Balance 1 April 2016	10,145	8,729	1,471	3,861	24,206	17,436	41,642
<i>Surplus / (Deficit) on Provision of Services</i>	1,254	-	-	-	1,254	-	1,254
<i>Other Comprehensive Income & Expenditure</i>	-	-	-	-	-	(5,317)	(5,317)
Total Comprehensive Income & Expenditure	1,254	-	-	-	1,254	(5,317)	(4,063)
<i>Adjustments between accounting basis and funding basis under regulations (Note 13)</i>	(1,603)	1,416	47	1,491	1,351	(1,351)	-
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	(349)	1,416	47	1,491	2,605	(6,668)	(4,063)
<i>Transfers to / (from) Reserves</i>	(161)	161	-	-	-	-	-
Increase/(Decrease) in 2016/17	(510)	1,577	47	1,491	2,605	(6,668)	(4,063)
Balance 31 March 2017	9,635	10,306	1,518	5,352	26,811	10,768	37,579

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 17, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016	Balance Sheet	Notes	31 March 2017
£000			£000
70,047	Property, Plant & Equipment	17	70,009
0	Intangible Assets	23	603
423	Long Term Debtors	22	339
70,470	Long Term Assets		70,951
92	Inventories (<i>Salt Stocks</i>)		92
21,065	Short Term Investments	15	26,101
4,530	Short Term Debtors	22	4,039
4,930	Cash & Cash Equivalents	29	1,413
30,617	Current Assets		31,645
(6,415)	Short Term Creditors	24	(4,640)
(247)	Provisions	25	(265)
(6,662)	Current Liabilities		(4,905)
(21,935)	Long Term Borrowing	15	(22,345)
(30,848)	Other Long Term Liabilities	31	(37,767)
(52,783)	Long Term Liabilities		(60,112)
41,642	Net Assets		37,579
(24,206)	Usable Reserves	13	(26,811)
(17,436)	Unusable Reserves	13	(10,768)
(41,642)	Total Reserves		(37,579)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

31 March 2016 £000	Cash Flow Statement	Notes	31 March 2017 £000
4,705	Net (Surplus)/Deficit on the Provision of Services		(1,254)
(14,520)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	26	(3,670)
4,455	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	3,851
(5,360)	Net Cash Flow from Operating Activities		(1,073)
6,044	Investing Activities	27	5,011
358	Financing Activities	28	(421)
1,042	Net (increase) or decrease in cash and cash equivalents		3,517
(5,972)	Cash and cash equivalents at the beginning of the reporting period	29	(4,930)
(4,930)	Cash and cash equivalents at the end of the reporting period	29	(1,413)

Notes to the Accounts

1. Expenditure and Funding Analysis

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

<i>Net Expenditure Chargeable to the General Fund</i>	<i>2015/16 Adjustments between Funding Basis and Accounting Basis</i>		<i>Net Expenditure in the CIES</i>	<i>Expenditure and Funding Analysis</i>	<i>Net Expenditure Chargeable to the General Fund</i>	<i>2016/17 Adjustments between Funding basis and Accounting Basis</i>		<i>Net Expenditure in the CIES</i>
	<i>£000</i>	<i>£000</i>				<i>£000</i>	<i>£000</i>	
15,555	721	16,276	People	16,308	673	16,981		
11,903	2,089	13,992	Places	12,378	2,252	14,630		
5,166	203	5,369	Resources	5,316	(13)	5,303		
32,624	3,013	35,637	Cost of Services	34,002	2,912	36,914		
0	7,134	7,134	Other Operating Expenditure		590	590		
1,643	500	2,143	Financing & Investment Income & Expenditure	1,676	204	1,880		
(34,735)	(5,474)	(40,209)	Taxation & Non-Specific Grant Income	(35,168)	(5,470)	(40,638)		
(468)	5,173	4,706	(Surplus) / Deficit on Provision of Services	510	(1,764)	(1,254)		
(9,675)			Opening General Fund Balance	(10,145)				
(470)			(Surplus) / Deficit on Provision of Services	510				
(10,145)			Closing General Fund Balance	(9,635)				

2015/16				2016/17				
Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000	Adjustments from General to arrive at the CIES Amounts	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
130	300	357	787	People	98	98	477	673
1,909	199	5	2,113	Places	2,195	59	(2)	2,252
-	159	(46)	113	Resources	(16)	43	(40)	(13)
2,039	658	316	3,013	Cost of Services	2,277	200	435	2,912
6,527	-	607	7,134	Other Operating Expenditure	(53)	-	643	590
(864)	1353	11	500	Financing & Investment Income & Expenditure	(897)	1,090	11	204
(6,199)		725	(5,474)	Taxation & Non-Specific Grant Income	(6,377)	-	907	(5,470)
1,503	2,011	1,659	5,173	(Surplus) / Deficit on Provision of Services	(5,050)	1,290	1,996	(1,764)

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

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

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

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

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

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

2015/16 £000	Expenditure / Income Analysed by Type	2016/17 £000
	Expenditure	
14,487	Employee Benefits	15,090
42,389	Other Service Expenditure	42,925
12,745	Capital Charges	5,086
1,045	Interest Payments	1,045
561	Precepts and Levies	598
1,353	Gain on the Disposal of Assets	1,082
72,580	Total Expenditure	65,826
	Income	
(6,952)	Fee, Charges and other Service Income	(6,505)
(254)	Interest & Investment Income	(254)
(26,795)	Income from Council Tax and Business Rates	(27,010)
(33,873)	Government Grants & Contributions	(33,311)
(67,874)	Total Income	(67,080)
4,706	Total	(1,254)

2. Members Allowances

The following amounts were paid to members of the Council.

2015/16 £000	Members Allowances	2016/17 £000
96	Basic allowances	98
72	Special responsibility allowances	75
13	Expenses	11
181	Members allowances	184

3. Related Parties

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

Central Government

Central Government has effective influence over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties, e.g. council tax bills and housing benefits. Grants received from Government departments are set out in the subjective analysis in Note 1 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2017 are shown in Note 12.

Members of the Council

Members of the Council have direct control over the authority's financial and operating policies. The total of Members allowances paid in 2016/17 is shown in Note 2. During 2016/17, no significant works and services were commissioned from parties where Members had an interest.

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

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

Officers of the Council

Officers who have any influence over the authority's financial operations are required to make an annual declaration of any material transactions they or their immediate family have with the authority. There are no transactions in 2016/17 that are considered material and would require their disclosure.

4. Officers Remuneration

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

Officers Remuneration	Year	Salary	Agency / Recharge	Expense Allowance	Pension Contribution	Total
Chief Executive	2016/17	121,200	-	47	25,088	146,335
	2015/16	116,981	-	1,523	23,045	141,549
Director of Peoples	2016/17	101,000	-	513	20,907	122,420
	2015/16	100,000	-	1,546	19,700	121,246
Director of Places (Development & Economy)	2016/17	72,468	-	-	15,001	87,469
	2015/16	71,750	-	241	14,135	86,126
Director of Places (Environment, Planning & Transport)	2016/17	72,468	-	-	15,001	87,469
	2015/16	71,750	-	230	14,135	86,115
Director of Resources	2016/17	82,568	-	-	17,092	99,660
	2015/16	82,000	-	455	16,154	98,609
Assistant Director (Finance)	2016/17	72,468	-	318	15,001	87,786
	2015/16	66,625	-	448	13,125	80,198
Director of Public Health (1)	2016/17	-	33,914	-	-	33,914
	2015/16	-	17,852	-	-	17,852
Total	2016/17	522,172	33,914	877	108,090	665,053
	2015/16	509,106	17,852	4,443	100,294	631,695

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

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

2015/16 Number of Employees	Remuneration Bands	2016/17 Number of Employees
1	£50,000 - £54,999	-
1	£55,000 - £59,999	1
1	£60,000 - £64,999	1
-	£65,000 - £69,999	1
1	£70,000 - £74,999	1

5. Termination Benefits

The authority terminated the contracts of 3 employees in 2016/17 incurring liabilities of £2,864 (2015/16 2 totalling £4,147). The total cost above has been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

In addition to these there was 1 settlement agreement during 2016/17, amounting to £5,122 (1 totalling £1,000 2015/16)

6. External Audit Costs

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

2015/16 £000	External Audit Costs	2016/17 £000
65	Fees payable with regard to external audit services carried out by the appointed auditor for the year	65
14	Additional Fees for work in relation to 2014/15 accounts	-
3	Fees payable for the certification of grant claims and returns for the year	5
3	Fees payable in respect of other services provided by the appointed auditor during the year	3
85	Total	73

7. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2016/17 and for the previous financial year, 2015/16 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual School Budget (ISB) £000	Total £000
Final DSG for 2016/17 before Academy Recoupment			(27,811)
Academy Figure Recouped for 2016/17			19,278
Total DSG after Academy recoupment for 2016/17			(8,533)
Brought Forward from 2016/17			(325)
Agreed initial budgeted distribution in 2016/17	(3,479)	(5,325)	(8,858)
In year Adjustments			54
Final budgeted distribution 2016/17	(3,479)	(5,325)	(8,804)
Less actual central expenditure	2,842	-	2,842
Less actual ISB deployed to schools	-	6,150	6,150
Carry forward to 2017/18	(637)	825	188

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

DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance (England) Regulations 2012. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual School Budget (ISB) £000	Total £000
Final DSG for 2015/16 before Academy Recoupment			(27,412)
Academy Figure Recouped for 2015/16			18,259
Total DSG after Academy recoupment for 2015/16			(9,153)
Brought Forward from 2015/16			(564)
Agreed initial budgeted distribution in 2015/16	(3,417)	(6,340)	(9,717)
In year Adjustments	-	-	(40)
Final budgeted distribution 2015/16	(3,417)	(6,340)	(9,757)
Less actual central expenditure	2,470	-	2,470
Less actual ISB deployed to schools	-	6,962	6,962
Carry forward to 2016/17	(947)	622	(325)

8. Pooled Funds

Under the terms of a Section 75 Agreement (Health Act 2006), the authority's People Directorate has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2016/17 was £5.49 million (£6.47 million 2015/16) of which Rutland County Council contributed £0.08 million (£0.09 million 2015/16). Total expenditure from the pool was £5.65 million (£6.47 million 2015/16).

Better Care Fund (BCF) – Pooled Budget

From the 1 April 2016 the Council entered into a £2.447m pooled budget arrangement (section 75 agreement) for the Better Care Fund inclusive of £200k from the BCF Reserves. Officers and Members of the Council are working across Leicester, Leicestershire and Rutland (LLR) to integrate reform and transform services. This is a budget to improve the ways health services and social care services work together, starting with services for older people and people with long term conditions. The Council and East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG) have agreed a Better Care Fund plan; this has been fully approved by NHS England.

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

The council is holding £136k (£344k 2015/16) in a BCF earmarked reserve which will be spent on BCF projects in future years.

2015/16 £000	Better Care Fund	2016/17 £000
	Funding Provided to the Pool	
2,046	East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG)	2,061
180	Rutland County Council	186
	Use of Reserves	200
2,226	Total Funding	2,447
	Expenditure	
371	Unified Prevention Offer	420
139	Long Term Conditions	734
627	Urgent Response	-
626	Hospital Discharge and Re-ablement	-
-	Crisis Response, Transfer Care and Reablement	935
147	Enablers	79
1,910	Total Expenditure	2,168
	Expenditure Repayment of Funds (In-line with Section 75 Agreement)	
-	ELRCCG	277
-	Total Expenditure Repayment of Funds (In-line with Section 75 Agreement)	277
316	Surplus/ (Deficit) on Fund	2

9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2015/16 £000	Other Operating Expenditure	2016/17 £000
561	Parish Council Precepts	598
46	External Levies	45
6,527	Net (Gains)/Losses on Disposal of Non-Current Assets	(53)
7,134	Total	590

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

2015/16 £000	Financing & Investment Income & Expenditure	2016/17 £000
1,045	Interest payable & similar charges	1,045
1,352	Net interest on the net defined benefit liability (asset)	1,082
0	Past Service Cost (Including Curtailments)	8
(254)	Interest receivable and similar income	(255)
2,143	Total	1,880

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

2015/16 £000	Taxation & Non-Specific Grant Income	2016/17 £000
21,445	Council Tax income	22,705
4,198	Retained business rates income	4,305
25,643	Total Taxation Income	27,010
	Non-specific grants	
4,060	Revenue Support Grant	2,354
436	Small Business Rate Relief (Section 31)	387
184	Education Services Grant	156
219	Council Tax Freeze	0
294	Social Care Reform	0
822	New Homes Bonus	1,240
2,046	Better Care Fund	1,784
-	Adoption Grant	-
-	Rural Delivery Grant	843
23	Special Educational Needs	25
-	Transition Grant	340
284	Other	308
-	Sustainable Drainage	-
8,368	Total Non-Specific Grants	7,437
508	Section 106 Contributions	1,060
2,111	Hawkesmead Infrastructure Agreement	550
3,579	Capital Receipts, Grants & Contributions	4,581
6,198	Total Other Income	6,191
40,209	Total	40,638

12. Grant Income

In addition to the grants shown above the authority credited the following grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000	Credited to Services	2016/17 £000
112	School Sport Partnership	71
5,606	Housing Benefit Subsidy	5,489
81	Benefits Administration Subsidy	86
579	Adult Learning (Various)	608
9,205	Dedicated Schools Grant (<i>note 7</i>)	8,479
65	Unaccompanied Asylum Seeking Children	57
1,196	Public Health	1,359
101	Travel 4 Rutland	-
55	Revenues	57
19	Community Covenant	-
-	Oakham Castle Restoration	182
307	Pupil Premium	273
70	Troubled Families Programme	110
158	Universal Infant Free School Meals	127
246	Other Grants	242
17,800	Total	17,140

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

2015/16 £000	Revenue Grants & Contributions - Receipts in Advance	2016/17 £000
11	School Sport Partnership	13
-	Public Health	37
81	Adult Skills	-
37	Troubled Families	-
37	Arts Council England Intern Programme	-
37	Local Sports Alliance	-
38	Other Grants	48
241	Total	98

The authority credited the following capital grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000	Capital Grants & Contributions	2016/17 £000
226	Capital Maintenance	196
506	Basic Need Grant	1,334
1,907	Highways Capital Maintenance	2,027
458	Highways Integrated Transport	458
43	Devolved Formula Capital	32
29	Travel for Rutland	-
180	Better Care Fund (BCF)	186
180	Sport England – Active Rutland Hub	-
693	Heritage Lottery Funding	856
21	Other Grants & Contributions	183
4,243	Total	5,272

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

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

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

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

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

Summary of Usable and Unusable Reserves

31 March 2016 £000	Summary of Usable & Unusable Reserves	1 April 2016 £000	Movement £000	31 March 2017 £000
	Usable Reserves			
10,145	General Fund Balance	10,145	(510)	9,635
1,226	School Balances	1,226	(408)	818
7,503	Specific Reserves (Note 14)	7,503	1,985	9,488
1,471	Capital Receipts Reserve	1,471	47	1,518
3,861	Capital Grants	3,861	1,491	5,352
24,206	Total Usable Reserves	24,206	2,605	26,811
14,875	Revaluation Reserve	14,875	36	14,911
32,897	Capital Adjustment Account	32,897	496	33,393
324	Deferred Capital Receipts	324	(70)	254
82	Financial Instruments	82	10	92
(30,848)	Adjustment Account	(30,848)	(6,919)	(37,767)
	Pension Fund Reserve			
314	Collection Fund Adjustment	314	(150)	164
	Account			
	Accumulating Compensated			
(208)	Absences Adjustment	(208)	(71)	(279)
	Account			
17,436	Total Unusable Reserves	17,436	(6,668)	10,768
41,642	Total Reserves	41,642	(4,062)	37,579

Adjustments between Accounting Basis & Funding Basis Under Regulations 2016/17	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£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	1,889	-	-	-	(1,889)
Revaluation losses on Property Plant and Equipment	1,522	-	-	-	(1,522)
Capital grants & contributions applied	(3,560)	-	(166)	(226)	3,952
Revenue expenditure funded from capital under statute	1,558	-	-	-	(1,558)
Amounts of non-current asset written off on disposal of sale	118	-	-	-	(118)
Use of Capital Receipts to finance new capital expenditure	(198)	-	-	-	198
Statutory provision for the financing of capital investment	(897)	-	-	-	897
Voluntary provision for the financing of capital investment	-	-	-	-	-
Capital expenditure charged against the general fund	(186)	-	-	-	186
Adjustment primarily involving the Capital Grants Unapplied Accounts					
Capital grants & contributions unapplied	(1,716)	-	-	1,716	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	-	-	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	123	-	-	(123)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(76)	-	-	76
Adjustment primarily involving the Section 106 Reserve					
Capital grants & contributions unapplied	(1,060)	-	1,060	-	-
S106 applied to fund Revenue Expenditure	28	-	(28)	-	-
Adjustment primarily involving the Deferred Capital Receipt Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	(53)	-	-	-	53
Adjustments primarily involving the Oakham North Reserve					
Oakham North contributions unapplied	(550)	-	550	-	-
Adjustments primarily involving the Financial Instruments Account					
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	(10)	-	-	-	10
Adjustment primarily involving the Pension Reserve					
Reversal of items relating to retirement	(2,157)	-	-	-	2,157

Adjustments between Accounting Basis & Funding Basis Under Regulations 2016/17	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	
benefits debited or credited to the CIES					
Employer's pension contributions and direct payments to pensioners payable in the year	3,447	-	-	-	(3,447)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income is different from income calculated in accordance with statutory requirements	150	-	-	-	(150)
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	72	-	-	-	(72)
Total Adjustments	(1,603)	47	1,416	1,490	(1,350)

Adjustments between Accounting Basis & Funding Basis Under Regulations 2015/16	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£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	716	-	-	-	(716)
Revaluation losses on Property Plant and Equipment	2,799	-	-	-	(2,799)
Capital grants & contributions applied	(4,021)	-	(369)	(321)	4,711
Revenue expenditure funded from capital under statute	1,181	-	-	-	(1,181)
Amounts of non-current asset written off on disposal of sale	8,050	-	-	-	(8,050)
Statutory provision for the financing of capital investment	(864)	-	-	-	864
Voluntary provision for the financing of capital investment	-	-	(597)	-	597
Capital expenditure charged against the general fund	(244)	-	-	-	244
Adjustment primarily involving the Capital Grants Unapplied Accounts					
Capital grants & contributions unapplied	(434)	-	-	434	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(1,199)	1,199	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	272	-	-	(272)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-
Adjustment primarily involving the Section 106 Reserve					
Capital grants & contributions unapplied	(508)	-	508	-	-
Adjustment primarily involving the Deferred Capital Receipt Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	(324)	-	-	-	324
Adjustments primarily involving the Oakham North Reserve					
Oakham North contributions unapplied	(2,037)	-	2,037	-	-
Adjustments primarily involving the Financial Instruments Account					
Amount by which finance costs charged to the CIES are different from finance costs in accordance with statutory requirements	12	-	-	-	(12)
Adjustment primarily involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,976)	-	-	-	1,976
Employer's pension contributions and direct payments to pensioners payable in the year	3,987	-	-	-	(3,987)

Adjustments between Accounting Basis & Funding Basis Under Regulations 2015/16	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	S106/Oakham North Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income is different from income calculated in accordance with statutory requirements	(537)	-	-	-	537
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	(43)	-	-	-	43
Total Adjustments	4,558	1,471	1,579	113	(7,721)

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.

2015/16 £000	Revaluation Reserve	2016/17 £000
18,071	Balance 1st April	14,875
(654)	Opening Balance Adjustment	-
1,686	Upward revaluation of assets	1,031
(292)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(719)
(166)	Difference between fair value depreciation and historical depreciation	(158)
(3,770)	Release of revaluation gains	(118)
14,875	Balance at 31st March	14,911

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place amounts are transferred to the Capital Receipts Reserve.

2015/16 £000	Deferred Capital Receipts Reserve	2016/17 £000
272	Balance 1 April	324
(272)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(123)
324	Transfer to the Capital Receipts Reserve upon receipt of cash	53
324	Balance at 31st March	254

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.

2015/16 £000	Financial Instruments Adjustment Account	2016/17 £000
93	Balance 1 April	82
(11)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	10
82	Total	92

Capital Adjustment Account

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

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

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

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

2015/16 £000	Capital Adjustment Account	2016/17 £000
34,636	Balance at 1 April	32,897
(716)	Charges for depreciation and impairment of non-current assets	(1,889)
(2,799)	Revaluation losses on Property, Plant & Equipment	(1,522)
(1,181)	Revenue expenditure funded from capital under statute	(1,558)
1,107	Grant Funding of Revenue expenditure funded from capital under statute	784
(8,050)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(118)
4,590	Adjusting amounts written out of the Revaluation Reserve	276
-	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	274
3,219	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,843
222	Application of grants to capital financing from the Capital Grants Unapplied Account	226
244	Capital expenditure charged against the general Fund balance	186
864	Statutory provision for the financing of capital investment charged against the General Fund balance	897
597	Voluntary provision for the financing of capital investment charged against the General Fund balance	-
164	Use of the s106 Reserve to finance new capital expenditure	97
32,897	Balance at 31 March	33,393

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.

2015/16	Pensions Reserve	2016/17
£000		£000
(41,964)	Balance 1 April 2016	(30,848)
13,127	Re-measurements of the net defined benefit liability (asset)	(5,629)
(3,987)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,447)
1,976	Employers pensions contributions and direct payments to pensioners payable in the year	2,157
(30,848)	Total	(37,767)

Collection Fund Adjustment Account

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

2015/16	Collection Fund Adjustment Account	2016/17
£000		£000
(224)	Balance 1 April 2016	313
537	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(149)
313	Total	164

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to/from the Account.

2015/16	Accumulated Absences Account	2016/17
£000		£000
(250)	Balance 1 April 2016	(208)
250	Settlement or cancellation of accrual made at the end of the preceding year	208
(208)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(279)
(208)	Total	(279)

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

This note includes the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

General Fund Earmarked Reserves	31 March 2016 £000	Transfers out £000	Transfers In £000	31 March 2017 £000
Invest to Save	478	(83)	95	490
Planning Delivery Grant	49	(14)	-	35
Internal Audit	35	(35)	20	20
Training	80	(10)	-	70
Travel for Rutland	26	-	-	26
Highways	310	(22)	165	453
Public Health	415	(210)	209	414
Risk Management	6	-	-	6
Tourism	48	(14)	-	34
Digital Rutland	276	(228)	-	48
Adoption Reform	57	(57)	-	-
SEND Grant	104	-	22	126
SEN Grant	107	(107)	-	-
Social Care Reserve	706	(117)	411	1,000
Insurance	250	(80)	-	170
Welfare Reserve	153	(48)	13	118
Better Care Fund	334	(477)	279	136
Pressure Reserve	-	-	500	500
Commuted Sums	286	(36)	-	250
Section 106	1,859	(195)	1,060	2,724
Oakham North Agreement	1,440	-	550	1,990
Budget Carry Forward	484	(484)	878	878
Total	7,503	(2,217)	4,202	9,488

15. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2017 are made up of the following categories of financial instruments:

2015/16		Categories of Financial Instruments	2016/17	
Long Term £000	Current £000		Long Term £000	Current £000
(21,935)	(4,570)	Financial liabilities (principal)	(22,345)	(5,432)
(186)	-	Accrued interest	(186)	-
(22,121)	(4,570)	Total Borrowing (financial liabilities at amortized cost)	(22,531)	(5,432)
-	21,065	Loans & Receivables	-	26,101
417	6,359	Short Term Investments	665	3,149
417	27,424	Total Investments (loans & investments at amortized cost)	665	29,250

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

Gains & Losses Recognised in the Comprehensive Income & Expenditure Statement	2016/17	
	Financial Liabilities Measured at Amortised Cost £000	Financial Assets – Loans & Receivables £000
Interest Expense	1,045	-
Impairment Gains / (Losses)	-	-
Total Interest Payable & Similar Charges	1,045	-
Interest & Investment Income	-	(254)
Net Gain / (Loss)	-	(254)

The fair values of financial instruments are calculated as follows:

2015/16		Fair Value of Financial Instruments	2016/17	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
21,386	30,053	PWLB Debt	21,386	33,353
630	553	Non PWLB Debt	1,050	835
22,016	30,606	Total Debt	22,436	34,188
2,711	2,711	Trade Creditors	2,681	2,681
24,727	33,317	Total Financial Liabilities	25,117	36,869
19,000	19,088	Money Market Loans > 1 Year	26,000	26,124
3,594	3,594	- Fixed Term Deposits	691	691
2,000	2,002	- Money Market Funds	18	18
24,594	24,684		26,709	26,833
796	602	Trade Debtors	1,108	912
25,390	25,286	Total Loans & Receivables	27,817	27,745

Methodology for Calculating Fair Values

The calculation of the Fair Values has been completed by Capita Asset Services. The valuation basis adopted is level 2 "Inputs other than quoted prices that are observable for the financial asset / liability".

The individual valuations were completed using the following methods:

- PWLB Debt – redemption and new borrowing (certainty rate) discount rates.
- Non PWLB Debt – PWLB redemption and new market loan discount rates.
- Money Market Loans – comparison of the fixed investment with a comparable investment with the same / similar lender for the remaining period of the deposit.
- Trade Creditors / Debtors – the invoiced or billed amount.

16. Nature & Extent of Risk Arising from Financial Instruments

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

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

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

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

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

Credit Risk

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

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

The authority does not generally allow credit for its trade debtors, such that £0.98m of the £1.74m 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	521
More than three months	463
Total	984

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

Liquidity Risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the Public Works Loans Board provides access to longer term funds, it also acts as a

lender of last resort (although it will not provide funding to an authority whose actions are unlawful). The authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

Refinancing and Maturity Risk

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

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

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

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

Period	£000
Less than one year	-
Between one and two years	-
Between two and seven years	1,050
Between seven and 15 years	-
More than 15 years	21,386
Total	22,436

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

Period	£000
Between one and two years	79
Between two and three years	76
More than three years	177
Total	332

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.74 million are not shown in the table above.

Market Risk

Interest rate risk

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

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

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

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

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

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

If all interest rates had been 0.25% higher (with all other variables held constant) the financial effect in 2016/17 would be:

Effect	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(76)
Total	(76)

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

Price risk

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

17. Property, Plant & Equipment

Property, Plant & Equipment (PPE) – 2016/17	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1 April 2016	40,603	1,981	42,361	1,022	1,193	87,160
Additions	206	13	2,154	1,363	-	3,736
Revaluation increase / (decrease) recognised in the Revaluation Reserve	3	-	-	-	(940)	(937)
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services	(1,545)	-	-	-	(5)	(1,550)
De-recognition - Disposals	(116)	-	-	-	(60)	(176)
Transfer to other IFRS categories	1,660	-	-	(2,218)	-	(558)
At 31 March 2017	40,811	1,994	44,515	167	188	87,675
Accumulated Depreciation & Impairment						
At 1 April 2016	(6,687)	(1,613)	(8,121)	-	(692)	(17,113)
Depreciation charge in year	(487)	(67)	(1,415)	-	(3)	(1,972)
Depreciation written out to the revaluation reserve	323	-	-	-	25	348
Depreciation written out to the Surplus/Deficit on the Provision of Services	28	-	-	-	-	28
Impairment recognized in Revaluation Reserve	240	-	-	-	662	902
Impairment recognised in CIES	79	-	-	-	4	83
De-recognition – Disposal	58	-	-	-	-	58
At 31 March 2017	(6,446)	(1,680)	(9,536)	-	(4)	(17,666)
Net Book Value At 31 March 2017	34,365	314	34,979	167	184	70,009
At 1 April 2016	33,916	368	34,240	1,022	501	70,047

Property, Plant & Equipment (PPE) – 2015/16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1 April 2015	46,826	1,899	41,205	541	726	91,197
Additions	333	199	2,123	1,245	-	3,900
Revaluation increase / (decrease) recognised in the Revaluation Reserve	1,096	-	-	-	18	1,114
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services	(2,837)	-	-	-	(154)	(2,991)
De-recognition - Disposals	(7,699)	(117)	(683)	-	-	(8,499)
Reclassification from Assets Held for Sale	1,339	-	-	-	1,103	2,442
Transfer to other IFRS categories	1,548	-	(284)	(764)	(500)	-
At 31 March 2016	40,606	1,981	42,361	1,022	1,193	87,163
Accumulated Depreciation & Impairment						
At 1 April 2015	(7,831)	(1,614)	(7,004)	-	(153)	(16,602)
Depreciation charge in year	(543)	(116)	(1,330)	-	(10)	(1,999)
Depreciation written out to the revaluation reserve	25	-	-	-	-	25
Depreciation written out to the Surplus/Deficit on the Provision of Services	185	-	-	-	7	192
Impairment recognized in Revaluation Reserve	255	-	-	-	-	255
Impairment recognized in Surplus/Deficit on the Provision of Services	1,151	-	-	-	132	1,283
De-recognition – Disposal	1,394	117	98	-	-	1,609
Reclassification from AHFS	(1,194)	-	-	-	(685)	(1,879)
Reclassification to Surplus Assets	(132)	-	115	-	17	-
At 31 March 2016	(6,690)	(1,613)	(8,121)	-	(692)	(17,116)
Net Book Value At 31 March 2016	33,916	368	34,240	1,022	501	70,047

18. Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is revalued at least every five years on an appropriate basis. All valuations in 2016/17 have been carried out by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

Valued at fair value as at	Vehicles, Plant & Equipment	Other Land & Buildings	Total
	£000	£000	£000
Historical Cost	314	-	314
At 1 April 2012	-	11,597	11,597
At 1 April 2013	-	1,959	1,959
At 1 April 2014	-	10,385	10,385
At 1 April 2015	-	5,729	5,729
At 1 April 2016	-	4,696	4,696
Total cost or valuation	314	34,366	34,680

19. Heritage Assets

A Heritage Asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. In Rutland the County Museum and Oakham Castle and the exhibits fall within this definition. The Council's policies for Heritage Assets are included within its Cultural Strategy and it complies with national acquisitions and disposals for accredited museums. Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for as operational assets and valued in the same way as other assets of that type. Both the Castle and the Museum are operational heritage assets held by the Council and are included within the balance sheet at their depreciated replacement cost.

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

20. Capital Expenditure & Capital Financing

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

2015/16	Capital Financing Requirement	2016/17
£000		£000
23,936	Opening Capital Financing Requirement	22,724
	Capital Investment	
3,901	Property Plant & Equipment	3,736
0	Intangible	45
1,181	Revenue expenditure funded from capital under statute (REFCUS)	1,558
94	Long Term Debtor	-
	Sources of Finance	
0	Capital Receipts	(274)
(4,682)	Government Grants	(3,950)
(1,705)	Sums set aside from revenue (including direct revenue financing, MRP, VRP and loans fund principals)	(1,083)
22,725	Closing Capital Financing Requirement	22,756
	Explanation of movement in year	
(1,211)	Increase/(reduction) in the underlying need to borrow	32

21. Leases

Authority as Lessee

Operating leases:

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

2015/16 £000	Council as Lessee - Operating Leases	2016/17 £000
55	Not later than one year	58
185	Later than one year and not later than five years	121
224	Later than five years	207
464	Total	386

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

2015/16 £000	Council as Lessee – Minimum Lease Payments	2016/17 £000
63	Minimum Lease Payment	70

Authority as Lessor

Operating leases:

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

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

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

2015/16 £000	Council as Lessor - Operating Leases	2016/17 £000
441	Not later than one year	534

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

22. Debtors

2015/16 £000	Short-term debtors	2016/17 £000
650	Central Government Bodies	546
311	Other Local Authorities	371
322	NHS Bodies	565
14	Schools	98
3,233	Other Entities & Individuals	2,459
4,530	Total	4,039

2015/16 £000	Long-term debtors	2016/17 £000
119	Housing Association	118
201	Sale of Buses	78
103	Other	143
423	Total	339

23. Intangible Assets

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

2015/16 £000	Intangible Assets	2016/17 £000
	- Balance 1 April	-
	- Gross Carrying Amounts	-
	- Accumulated Amortisation	-
	- Net Carrying Amount at Start of the Year	-
	- Additions	45
	- Assets Under Construction Completed in Year	558
	- Amortisation for the period	-
	- Net Carrying Amount at End of the Year	603

24. Creditors

2015/16 £000	Creditors	2016/17 £000
1,070	Central Government Bodies	899
922	Other Local Authorities	456
169	Schools	169
4,254	Other Entities & Individuals	3,116
6,415	Total	4,640

25. Provisions

Provision	Balance 1 April £000	Addition to Provision £000	Amount Charged in Year £000	Balance 31 March £000
Appeals (NDR)	247	-	18	265

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

26. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2015/16 £000		2016/17 £000
(254)	Interest Received	(254)
1,045	Interest Payables	1,045
Adjust net surplus or deficit on the provision of services for non-cash movements		
(716)	Depreciation and Impairment of Non-Current Assets	(1,889)
(2,799)	Revaluation Losses on Property, Plant and Equipment	(1,522)
(2,011)	Movement in Pension Liability	(1,290)
(8,050)	Gains or Losses on Disposal of Non-Current Assets	(118)
58	Increase / (Decrease) in Provisions	(17)
43	Increase / (Decrease) in Accumulated Absences Reserve	(72)
(1,032)	Increase / (Decrease) in Creditors	1,866
(351)	Increase / (Decrease) in Debtors	(571)
288	Increase / (Decrease) in Long Term Debtors	(84)
21	Increase / (Decrease) in Inventories	0
41	Increase / (Decrease) in Investment Interest Debtors	17
(12)	Notional Interest on Interest Free Loans Received	10
(14,520)	Total Non-Cash Movements	(3,670)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
4,243	Capital Grants credited to the CIES	5,276
1,393	Proceed from Disposal of Property, Plant and Equipment	114
(1,181)	Revenue Expenditure Funded from Capital in Statute	(1,557)
0	Proceeds from the Sale of Short Term Investments	18
4,455	Total Investing or Financing Activities	3,851

27. Cash Flow Statement – Investing Activities

2015/16 £000	Investing Activities	2016/17 £000
5,082	Purchase of property, plant and equipment, investment property and intangible assets	5,339
21,000	Purchase of short-term and long-term investments	26,018
(1,795)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(71)
(14,000)	Proceeds from short-term and long-term investments	(21,000)
(4,243)	Capital Grants Received	(5,275)
6,044	Total	5,011

28. Cash Flow Statement – Financing Activities

2015/16 £000	Financing Activities	2016/17 £000
-	Repayment of short and long-term borrowing	(420)
358	Other payments for financing activities	(1)
358	Total	(421)

29. Cash Flow Statement – Cash & Cash Equivalents

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

2015/16 £000	Cash & Cash Equivalents	2016/17 £000
3	Cash held by the authority	3
520	Bank current accounts in credit	1,584
4,461	Short term deposits	691
(54)	Bank current accounts overdrawn	(865)
4,930	Total	1,413

30. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2016/17 the authority paid £0.30 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay (£0.33 million and 15.45% 2015/16). There were no contributions remaining payable at the year-end.

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

31. Defined Benefit Pension Schemes

Participation in pension schemes

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

The authority participates in two post-employment schemes:

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

Transactions relating to post-employment benefits

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

2015/16 £000	Comprehensive Income & Expenditure Statement	2016/17 £000
	Cost of Service	
2,634	Current Service Cost	2,357
-	Past Service Cost	8
-	Effects of Settlements	-
	Financing & Investment Income & Expenditure	
1,353	Net interest expense	1,082
3,987	Total post-employment benefits charged to the surplus or deficit on the provision of services	3,447
	Other post-employment benefits charged to the CIES	
1,359	Return on plan assets (excluding the amount included in the net interest expense)	(8,845)
-	Actuarial gains and losses arising on changes in demographic assumptions	(1,109)
(13,009)	Actuarial gains and losses arising on changes in financial assumptions	18,983
(1,477)	Other	(3,400)
(13,127)	Total Re-measurements Recognised in CIES	5,629
(9,140)	Total post employment benefit charged to the CIES	9,076
	Movement in Reserves Statement	
(3,987)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(3,447)
2,011	Actual Amount charged against the General Fund Balance for Pensions in the year	1,290
(1,976)	Total Movement in Reserves Statement	(2,157)

2015/16 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17 £000
(55,801)	Fair Value of Employer Assets	(66,716)
86,649	Present Value of Defined Benefit Obligation	104,483
30,848	Net liability arising from defined benefit obligation	37,767

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

2015/16	Reconciliation of the Fair Value of the Scheme Assets	2016/17
£000		£000
55,226	Opening fair value of Scheme Assets	55,801
1,770	Interest Income	1,954
	Re-measurement gain/(loss)	
	Return on plan assets, excluding the amount included in the net interest expense	8,845
(1,359)	Effect of Settlements	-
1,976	Contributions from Employer	2,157
591	Contributions from Employees	622
(2,403)	Benefits Paid	(2,663)
55,801	Closing Fair Value of Scheme Assets	66,716

2015/16	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2016/17
£000		£000
97,190	Opening Liability at 1 April	86,649
2,634	Current Service Cost	2,357
3,123	Interest Cost	3,036
591	Contributions from Scheme Participants	622
	Re-measurement (gains) and losses	
	Actuarial gains/losses arising from changes in demographic assumptions	(1,109)
(13,009)	Actuarial gains/losses arising from changes in financial assumptions	18,983
(1,477)	Other	(3,400)
-	Past Service Costs	8
(2,403)	Benefits Paid	(2,663)
86,649	Closing Liability at 31 March	104,483

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £37.767 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 2018 is £2.038m.

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

2015/16 £000	Local Government Pension Scheme Assets	2016/17 £000
1,525	Equity Securities	1,724
	Debt Securities	
2,946	UK	5,746
2,297	Other	731
5,243	Total debt securities	6,477
2,142	Private Equity	2,519
5,683	Real Estate	5,361
	Investment Funds & Unit Trusts	
27,376	Equities	31,954
6,005	Bonds	5,982
2,532	Hedge Funds	2,240
1,199	Commodities	1,572
1,457	Infrastructure	2,986
1,543	Other	1,671
40,112	Total investment funds & unit trusts	46,405
(20)	Derivatives	(31)
1,116	Cash & Cash Equivalents	4,261
55,801	Closing Fair Value of Scheme Assets	66,716

Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Leicestershire County Council Pension Fund based on the latest full valuation of the scheme as at the 31 March 2017. The significant assumptions used by the actuary have been:

2015/16		2016/17
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.2	Men (years)	22.1
24.3	Women (years)	24.3
	Longevity at 65 for Future Pensioners:	
24.2	Men (years)	23.8
26.6	Women (years)	26.2
	Financial Assumptions	
3.10%	Rate of Inflation	3.40%
3.20%	Rate of increase in salaries	3.40%
2.20%	Rate of increase in pensions	2.40%
3.50%	Rate for discounting scheme liabilities	2.60%
50.00%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	50.00%
75.00%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	75.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the

assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis as previously shown did not change from those used in the previous period.

The impact of those assumptions are shown in Note 31 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty.

Impact on the Council's Cash Flows

The figures are prepared in accordance with the latest version of IAS19, as last amended on 16 June 2011. This amendment included changes to IAS19 that took effect from 1 January 2013 for accounting periods ending on or after 31 December 2013. The calculations have been carried out in accordance with the Pensions Technical Actuarial Standard (TAS) adopted by the Financial Reporting Council, which came into effect on 1 January 2013 (version 2), and other Technical Actuarial Standards.

The Council anticipated to pay £2.038m expected contributions to the scheme in 2017/18.

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

32. Contingent Liabilities

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

The council is subject to a compensation claim relating to a modification order under section 97 of the Town and Country Planning Act 1990 ("the TCPA 1990") to an outline planning permission renewed by Rutland County Council on 3 December 1996.

The Council is in negotiations with another Local Authority that set up a supported living project within the borders of Rutland. The Council has taken on financial responsibility from 2017/18, however is still in negotiation as to whether there will be any backdating of costs,

33. Contingent Assets

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

34. Trust Funds

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

2015/16 £000	Trust Funds	2016/17 £000
6	Income	6
(10)	Expenditure	(6)
189	Assets	212

35. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on XX June 2017. 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 2016 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On the 31st May 2017 the garage site at Beech Road was transferred to Nottingham Community Housing Association. The transfer of the garage site is not material to the accounts; therefore no adjustments have been made.

The figures in note 17 (PPE) include £1,021k for a school that is converting to an academy with a decision from Cabinet expected in August.

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

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

The items in the authority's Balance Sheet at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions could be measured. However the assumptions interact in complex ways. For 2016/17 the authority's actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 2%.
Arrears	At 31 March 2017 the authority had a balance of £4.0 million for all of its short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £0.2 million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require an additional £0.2 million to be set aside.
Business Rates	The Business Rates Retention Scheme was introduced from 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may have to be repaid on successful appeals. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date.	The structure of the appeals is not uniform, there are different classes of business, each of which have had historically different success rates of appeal and the value of each individual appeal can vary considerably. Due to these different criteria and the fact that each class of appeal is provided for separately it would not give the user of the accounts any meaningful information by flexing the provision.

Collection Fund

2015/16	Collection Fund	Council Tax	2016/17 Business Rates	Total
Total		£000	£000	£000
Income				
(24,972)	Council Tax Receivable	(26,410)	-	(26,410)
(10,325)	Business Rates Receivable	-	(10,778)	(10,778)
-	Transitional Protection Payments Receivable	-	(14)	(14)
(17)	Local Council Tax Support - General Fund Contribution	(26)	-	(26)
(35,314)	Total Income	(26,436)	(10,792)	(37,228)
Expenditure				
Precepts				
21,246	Rutland County Council	22,523	-	22,523
2,603	Leicestershire Police	2,706	-	2,706
874	Leicester, Leicestershire & Rutland Fire Authority	908	-	908
24,723	Total Precepts	26,137	-	26,137
Business Rates Shares				
5,127	Central Government	-	5,291	5,291
5,024	Rutland County Council	-	5,185	5,185
103	Leicester, Leicestershire & Rutland Fire Authority	-	106	106
10,254	Total Business Rates Shares	-	10,582	10,582
Charges to the Collection Fund				
70	Write Off - Uncollectable Amounts	7	10	17
(41)	Increase / (Decrease) in Bad Debt Provision	80	-	80
(79)	Increase / (Decrease) in Appeals Provision	-	81	81
55	Cost of Collection	-	57	57
11	Transitional Protection Payments Payable	-	72	72
16	Total Charges to the Collection Fund	87	220	307
Distribution of Previous Year's Estimated Collection Fund Surplus				
(300)	Central Government	-	82	82
(295)	Rutland County Council	247	80	327
-	Leicestershire Police	30	-	30
(6)	Leicester, Leicestershire & Rutland Fire Authority	10	2	12
(601)	Total Distribution of Previous Year's Estimated Collection Fund Surplus	287	164	451
34,392	Total Expenditure	26,511	10,966	37,477
(922)	(Surplus) / Deficit on Collection Fund	75	174	249
Collection Fund Balance				
478	(Surplus)/Deficit B/Fwd 1 April	(260)	(184)	(444)
(922)	(Surplus)/Deficit Arising During the Year	75	174	249
(444)	(Surplus)/Deficit C/Fwd 31 March	(185)	(10)	(195)

1. Collection Fund Overview

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

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

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

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

2. Business Rates

The total non-domestic rateable value as at 31 March 2017 was £27.611 million (31 March 2016 - £27.332 million).

The standard BR multiplier for 2016/17 was 49.7 pence (2015/16 – 49.3 pence). The small business multiplier for 2016/17 was 48.4 pence (2015/16 – 48.0 pence).

3. Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2016/17 is calculated as follows:

2015/16 Band D Equivalent	Band	Ratio	Number of Chargeable Dwellings	2016/17 Band D Equivalent
3.10	A (with Disabled Relief)	5/9	5.58	3.07
650.91	A	6/9	976.36	682.63
2,306.83	B	7/9	2,965.93	2,374.40
2,215.21	C	8/9	2,492.11	2,264.19
2,123.43	D	9/9	2,123.43	2,166.39
2,474.71	E	11/9	2,024.75	2,563.74
2,134.49	F	13/9	1,477.73	2,143.22
1,962.50	G	15/9	1,177.50	1,981.68
249.01	H	18/9	124.51	245.11
14,120.19	Total			14,424.43
481.00	Ministry of Defence contribution in lieu of council tax			458.00
(141.20)	Allowance for non-collection			(144.24)
14,459.99	Council Tax Base			14,738.19

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

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

Acquisitions and Discontinued Operations

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

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

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

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

Discontinued operations are those which the Council are no longer in use during the accounting period. Examples of discontinued operations are:

- Service and/or geographical areas for which the authority no longer has responsibility due to the reorganisation of local government, or
- Service discontinued as a consequence of legislation, eg a new statutory responsibility transferred to another entity

Cash and Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Council Tax and Non-Domestic Rates

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Leicestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)
- The assets of the Leicestershire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising
 - Current service cost: the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
 - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority; the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement; this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurements Comprising

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Leicestershire County Council pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events After the Balance Sheet Date

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

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

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

- 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 input – quoted process (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted process included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 input – unobservable inputs for the asset.

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

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

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

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

Foreign Currency Translation

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

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant, and Equipment. However the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. And as heritage assets held have indeterminate lives and a high residual value; the Council does not consider it appropriate to charge depreciation for the assets.

Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

Inventories and Long-Term Contracts

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

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

Investment Properties

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

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases:

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Services

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. ranging from 50 years to 10 years for a garage building.
- vehicles, plant and equipment – up to 10% of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation of up to 25 years

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income

and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

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

Value Added Tax (VAT)

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

borrowing. For the remaining unsupported borrowing, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annex 1 – Annual Governance Statement

1. Scope of Responsibility

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

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

The elements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (updated in 2016) are embedded throughout the Council’s Constitution and other strategies. This statement explains how the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at Rutland County Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

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

Vision, Aims and Objectives

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

Significant amendments were made to the Plan after the consultation. Cabinet recommended the Plan for approval by Cabinet in August 2016. The Plan was finalised and approved by Council in September 2016 and includes a revised set of strategic aims and objectives which can be found here:

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

Priorities for the Council over the next four years, as set out in the Corporate Plan, include:

Delivering sustainable growth, supported by appropriate housing, employment, learning opportunities and infrastructure (including other Public Services)

Safeguarding the most vulnerable and supporting the health and well-being needs of our community

Planning and supporting future population and economic growth to allow businesses, individuals, families and communities to reach their full potential

Ensuring the Council's medium term financial plan is balanced and based on delivering the best possible value for the Rutland pound

The aims and priorities are underpinned by targets which will be reported on quarterly through the corporate performance report. The targets include improving educational attainment, reducing emergency admissions to hospital, creating 160 new affordable homes, increasing the number of visitors to Oakham castle and reducing the funding gap in the Medium Term Financial Plan (MTFP).

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

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

Political and Constitutional Arrangements

Political Profile of the Council

At the start of 16/17 the Council had 26 Members (17-Conservative, 5-Independent, 2-Non-aligned and 2-Liberal Democrat).

In November 2016, Councillor Alan Walters left the Independent Group and joined the Conservative Party; Councillor Marc Oxley became the new Leader of the Independent Group with the support of the Members of this group.

In January, following a period of ill health, the Council's then Leader Councillor Terry King resigned from both his role as Leader and ward member for Exton. On 26 January 2017, the Council elected Councillor Tony Mathias as Leader of the Council and Councillor Oliver Hemsley as Deputy Leader. At the same meeting Councillor Mathias appointed a new Cabinet Member, Councillor Alan Walters with portfolio responsibilities for Community Safety, Culture, Sport & Recreation and Environment. These changes resulted in a vacancy for the Chair of Resources Scrutiny Panel, Mrs Burkitt was appointed to this vacancy by Council.

In March 2017 the poll for Exton by-election took place. June Fox (Conservative) was elected as the Ward Member for Exton and will serve as a Rutland County Councillor until the next round of normal elections in 2019.

At the end of 2016/17 municipal year the Political make-up of the Council had changed to the following: 26 Members (18 - Conservative, 4 - Independent, 2 - Liberal Democrats and 2 – non aligned).

Elections

In May 2016, an election was held to vote for a new Police and Crime Commissioner (PCC), who is accountable for how crime is tackled in the police force area across Leicestershire and Rutland. North West Leicestershire District Council was the lead authority for these elections. Lord Willy Bach was elected at the new PCC.

In June 2016 the European Union (EU) Referendum was held to decide whether the UK should leave or remain in the European Union. With the outcome in Rutland being to Remain part of the EU.

Constitution

The Council's Constitution defines the roles and responsibilities of the Council, Cabinet, Committees and Scrutiny Panels and provides for extensive delegation to officers. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. Delegation arrangements were renewed at the Annual Council Meeting in June 2015 and again in May 2016. The exercising of delegated powers is regulated by Financial Procedure Rules, Contract Procedure Rules and other policies and procedures.

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

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

The Constitution is kept under review by a working group of members appointed by the Council. The working group recommends amendments to the Constitution to the Council, Its work included:

- Changes to the rules regarding substitutions on Development Control and Licensing Committee and the introduction of mandatory annual planning training;
- Approval of the Terms of Reference for Rutland Health and Wellbeing Board;
- Updates to the Scheme of Delegation in relation to new powers conferred by the Anti-Social Behaviour, Crime and Policing Act 2014;
- Approval of amendments to the Constitution (Financial Procedure Rules (FPRs), Contract Procedure Rules, Council Procedures and the scheme of delegation.); and approval of Revised Petitions Guidance and consequential changes to the Procedure Rules.

One of the Council's priorities for 2017/18 is a full review of the Council's Constitution.

Community Governance Review

In February 2015 Rutland County Council agreed that a Community Governance review be undertaken for the parish of Barleythorpe and the parish ward of Oakham North West to consider whether the parishes should be altered by adjusting their common boundary and to consider the most effective and convenient form of community governance for residents in the area.

In January 2017, the review was completed and a new Barleythorpe Parish Council is to be created. An interim Council is now in place and elections of Parish Councillors will take place in May 2018.

Boundary Commission Review

The Local Government Boundary Commission for England has identified Rutland as requiring an electoral review which will take place starting in March 2017 with consultations from July to October 2017 and the final recommendations published in April 2018 with any changes coming into force for the Elections in 2019.

The review will determine the:

- Total number of councillors
- Total number of wards
- Boundaries of each ward
- Number of councillors elected to each ward
- Names of each ward

Decision Making Arrangements

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

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

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

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

Governance Group

The Governance Group, which works under the broad direction of SMT and comprises officers from across the Council, to provide a forum to discuss and develop a coordinated approach to:

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

During 2016/17 the Group, which is now chaired by the Director for Resources, has focused on the following issues:

- Data Retention and Disposal and the Councils arrangements for archiving documentation in line with retention set out in legislation.
- Reviewing the Council's Fraud Risk register to ensure emerging trends are captured and reflected in the document.

Performance Management

The Council has a performance management framework through which quality of service and use of resources is measured. Financial and non-financial performance is monitored by DMT's and SMT on a regular basis and is formally reported to Scrutiny Panels and Cabinet on a quarterly basis. Progress against the strategic aims is measured in milestones and this is included in quarterly monitoring reports. The performance management framework flows through the Council, down to an individual employee level. All officers have a Performance Development Review (PDR) with their manager during each year. This process includes reviewing progress against objectives and targets and setting new objectives and targets for the forthcoming year. Training and development needs are also identified during this process.

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

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

Financial Management

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

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

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

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

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

The MTFP was updated throughout 2016/17 and periodically reported to Cabinet. The updated MTFP, following the Local Government Settlement, was presented to each Scrutiny Panel by the Leader and to

Council as part of the budget setting process for 2016/17. Members have up-to-date financial information about not only the current but also the medium term outlook for decision making purposes.

In their Annual Governance report issued in September 2016, the external auditors issued an unqualified audit opinion on the Authority's financial statements.

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

The Financial Procedure Rules were updated in year to provide additional clarity across a number of areas including:

- The Funding of the Capital Programme
- Delegated authority for the Chief Executive
- Spending across financial years

Risk Management

Risk Management is embedded in the Council through the Risk Management Strategy. Working with Zurich Municipal, a new Risk Management Strategy and Policy was approved. This strategy replaced the previous document which was produced in 2007. The principles set out within the strategy and policy remained the same but the document was updated to reflect current organisational arrangements and responsibilities. The key change was the development of risk assessment criteria to provide additional guidance to Officers when assessing risk scores.

The Leader is the lead member for risk management. Each risk is assigned a member of SMT as risk owner. SMT is responsible for maintaining the register and monitoring the actions taken to mitigate the strategic risks. The Audit and Risk Committee receives regular reports on risk management, with the ability to refer particular risks to Scrutiny Panels if there is a need to look at them in more detail.

Following revision of the policy, the Council undertook a refresh of the strategic risk register facilitated by Zurich Municipal and the new format register was presented to Audit and Risk Committee in April and then again in July.

The Council also acquired new Risk Management software to help record and update risks on an ongoing basis.

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

The development of a new fraud risk register (in 2014) has continued to help the Council set out a list of potential fraud risks and details of how the Council seeks to mitigate them. This has been reviewed and is now a standing agenda item for the Governance Group and is reported periodically to the Audit and Risk Committee. Following the upgrade of two of the Councils IT systems the register is being revised and will be presented to Audit and Risk in April 2017.

Standards of Conduct

During 2016/17 the Monitoring Officer received 57 complaints of alleged Councillor Misconduct within the County. A large percentage of the complaints continue to be related to Oakham Town Council. In December 2016 an Independent Investigator was commissioned to investigate 4 Oakham Town Council conduct complaints. This work is continuing. No other matters were reported to the Conduct Committee.

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, attend an induction training session and enrol in an e-learning induction programme.

Information Governance

The Council continues to introduce safeguards to ensure the appropriate use of information it holds. The Data Retention and Disposal Policy was approved by Cabinet in February 2016; work is now in progress under the umbrella of the Governance Group, to develop corporate solutions to retention and disposal. A matrix has also been developed to quality assure data sharing agreements.

An overarching Information Governance Framework document is currently being developed, outlining the scope of Information Governance within the Council. The 6 defined areas for review/improvement are:

- Information Governance Management
- Data Quality
- Information Compliance
- Information Security
- Information Sharing
- Records Management

It is anticipated this framework will be in place by Quarter 2 2017/18. The document will be retained by the Governance Group and will contain a work plan outlining the main Governance tasks to be completed in these 6 areas over a 2-3 year period.

Counter-fraud and Whistleblowing

The Council has arrangements in place for receiving allegations of fraud or misconduct through its whistle-blowing policy. The Policy was reviewed, and subsequently endorsed by Cabinet in February 2016, to incorporate changes in legislation and reporting procedures within the Council. An external reporting mechanism was also included in the new version. Members of staff are made aware of the changes through Policy briefings and internal communication updates. Members of the public are also advised of the changes. No whistle blowing allegations were registered during 2016/17. However, the Council's Director of Public Health (who is employed by Leicestershire County Council - LCC) did receive a whistle blowing allegation relating to a public health contract managed by LCC on behalf of Rutland. The Council did receive a fraud referral in relation to a potential contract fraud in Public Health. This has been investigated and the matter is being dealt with by the Police. The loss to the Council is negligible and the Council is no longer working with the provider.

The Council continues to make available a fraud reporting mechanism: the Rutland Reporting App was developed for mobile telephone users, who might wish to report concerns via this route. All concerns are directed to the fraud@rutland.gov.uk email account, which is monitored by the Performance and Project Co-ordinator. No reports were made during 2016/17.

The Council's Counter Fraud Strategy forms part of the Constitution. It was last fully reviewed in 2012 and is scheduled for a further full review in 2016. The departure of the Head of Corporate Governance meant that this review has been deferred to early 2017. The review will consider whether any changes are required in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Matches generated by the National Fraud Initiative exercise were progressed during 2016-17 with no issues or concerns.

Developing Effectiveness

The Council has a Performance Development Review (PDR) scheme, which provides an annual discussion between line manager and employee to ensure the employee is clear of their expectations and objectives and receives feedback on their contribution. Learning and development needs are also identified at these meetings. The process was reviewed in 2015 and resulted in the introduction of a streamlined template. No changes have been made in year.

In October 2015, the Council approved a Workforce Development Strategy to provide clear focus on organisation development and continuous improvement. Its aim is also to assist in ensuring we are equipped to provide the best, most cost effective services through a flexible and skilled workforce. Progress against achievement of the priority themes in the strategy are monitored by the Strategic Management Team with key priorities and actions evolving over the lifecycle of the strategy. The strategy includes some indicators of success which include: a higher level of favourable scores in the Staff Survey, reduced level of turnover, clear evidence of staff moving through a career pathway, reduced time to recruit, consistent level of high achievement of performance indicators, a more diverse and representative workforce.

Members are provided with development opportunities through in-house and external training and briefings. There is mandatory training on the Code of Conduct, development control, licensing and appeals. Members are encouraged to express an interest in receiving training on specific topics and are notified of such via regular updates from the Corporate Support Team.

In 2016-17 Members attended training on the following subjects:

- Induction to the Council (for new Councillors elected in 2016/17)
- Planning Training
- Licensing Act Training
- Fraud
- Welfare Reform, Planning, Health and Devolution Briefing
- Media
- Annual Governance Statement
- Audit Planning

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

Service Delivery

The Council is focused on delivering high quality outcomes at low cost and has always worked in partnership with an eclectic mix of Local Government and Public Sector partners. In 2016 it completed a survey conducted by the Local Government Association showing the different arrangements it has in place.

<u>Service Name</u>	<u>Lead Authority Name</u>
Welland Internal Audit	Rutland County Council
Welland Procurement	Melton Borough Council
Legal Services	Peterborough City Council
Out of Hours Emergencies	Harborough District Council
Fraud Support	Leicester City Council
Public Protection	Peterborough City Council
Emergency Planning	Leicestershire County Council
Local Safeguarding Children Board	Leicestershire County Council

<u>Service Name</u>	<u>Lead Authority Name</u>
Adoption Services	Leicestershire County Council
Public Health	Leicestershire County Council (with shared Director)

Two new examples in year include:

- Delegation of the provision of a financial management system to Herefordshire Council (HC) – the Council upgraded its existing financial management system in 2016/17. HC are now responsible for providing and maintaining the system under a delegation agreement. This arrangement gives the Council greater resilience at lower cost.
- Delegation of internal audit services to LGSS – the Council was the host for the Welland Internal Audit partnership but difficulties in staff recruitment and a lack of resilience caused delivery difficulties. Cabinet approved the delegation of the service to LGSS from 1 April 2017.

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

The Council is working towards a central list of partnerships arrangements. This will contain a register for all key documents for each individual agreement.

Community Engagement, Partnership working and reporting

Rutland Together

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

Below is the membership of the Local Strategic Partnership:

Helen Briggs	Chief Executive, RCC
Cllr Tony Mathias	Leader, RCC
Cllr Alan Walters	Chair of Sustainable Theme Group + Chair of Safer Rutland Partnership
Cllr Oliver Hemsley	Chair of Infrastructure Theme Group
Cllr Richard Clifton	Chair of Health & Wellbeing Board
Cllr Richard Foster	Chair, Children's Trust Board
Dr Tim O'Neill	Deputy Chief Executive, RCC
Cllr Michael Haley	Mayor of Oakham
TBC	Mayor of Uppingham
Dr A Ker	GP Representative
Tim Sacks	Chief Executive, East Leicestershire & Rutland CCG
Insp Gavin Drummond	Leicestershire Constabulary
CFO Steve Lunn	Leicestershire Fire & Rescue
Neil Thomas	Governor, HMP Stocken
Lindsay Henshaw-Dann	Chief Executive, Voluntary Action Rutland

Simon Mutsaars	Chief Executive, Citizens Advice Bureau
Lt Col Bruce Weston	Armed Forces Representative
Lt Col Richard Chesterfield	Armed Forces Representative

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

The following is a list of initiatives that have been created in 2016/17:

- Contribution to a review of the RCC Corporate Plan
- Input into support for changes within our Armed Forces Community
- Briefings on the LLR STP and Better care Together initiatives
- Updates on Public Health & Health and Social care
- Restructure of the Local Strategic Partnership
- Significant work undertaken within LSP Theme Groups

Working with Health

In December 2015, the NHS outlined a new approach to help ensure that health and care services are built around the needs of local populations. Every health and care system (of which LLR is one) was asked to produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years. As primary, secondary and social care are all under demand pressure this is an important plan.

The LLR STP has been submitted and has been discussed at the Health and Wellbeing Board. Consultation will take place in 2017.

The approach being taken is a 'place based budget' one (single system control total) that looks across organisations at the 'LLR pound' and which focuses on new ways of working and models of care that manage demand and are more efficient. There are 5 big issues being tackled including:

- Urgent & emergency care
- Integrated teams
- General practice resilience
- Service reconfiguration
- Operational efficiency

The Council is already working across LLR on joint commissioning opportunities and in some areas has joint teams. There is a strong likelihood that further integration is likely as "health and social care must have a plan" for integration by 2017, to be implemented by 2020.

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

During 2016/17 the Rutland Better Care Fund continues to progress well, with the programme on track against most key metrics, including meeting its pay for performance target relating to reducing emergency admissions across the year.

Some of our recent successes working together with local NHS providers include:

- 91% of people receiving reablement care after a hospital stay still living at home three months after being discharged
- 19% reduction in injuries from falls among people aged 65 and over
- 13 people over the age of 65 admitted to a permanent residential or nursing home – down from 46 the previous year
- Average number of hospital beds taken up by Rutland patients due to delays discharging patients into social care down by 82%
- Emergency hospital admissions of Rutland patients down 6% from 2014/15

Going forward, the focus will be on unified prevention and using case management approaches to support long term condition management, intervening at an earlier stage to reduce demand on acute hospital services. The Budget also includes investment set aside to deliver a 'home first' model in which more services are delivered at home or in community settings, with a concomitant decrease in the reliance on hospital wards as the setting for care. For example, post-hospital reablement and rehabilitation would increasingly be undertaken at home or in a community setting, with the benefit that patients return sooner to their own routines, aiding recovery. In turn, people at the end of their lives would be cared for at home where this was their preference. This would enable the home first model to be fully trialled in Rutland and fine-tuned in a locality of 37,000 people in advance of wider implementation of the STP.

Other Engagement

The Council undertakes public engagement and consultation on a range of matters. In 2016/17 this included:

- Post-16 Transport
- Community Governance Review, Barleythorpe and Oakham North West
- 2016/17 Annual Budget Consultation
- Local Plan Review
- Homecare Services Consultation
- Langham Neighbourhood Plan
- Corporate Plan 2016-2020
- School Transport (mainstream and SEND)
- Market Overton Neighbourhood Plan
- Social Care Charging
- Prevention and Wellness Services
- Childcare Sufficiency

Reporting

All formal meetings are held in public, and the reports and minutes of those meetings are published in accordance with the principles of openness and transparency, unless there are legal reasons for

confidentiality. There are opportunities for members of the public to make deputations to, or ask questions at, meetings of the Council, Committees and Scrutiny Panels.

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

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

4. Review of Effectiveness

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

Internal and Management Assurance

Internal Audit

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

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

"It is my opinion that Sufficient Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2016/17. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a consistent level from 2015/16.

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with an opinion of at least Sufficient Assurance for adequacy and compliance with the key controls.

During the year, two reports have been issued with a lower than Sufficient Assurance opinion. Areas of weakness were identified during these audits and a number of high priority actions were agreed for prompt implementation. Internal Audit is supporting ongoing work and follow ups to ensure suitable action is taken.

Progress made by management in implementing the actions arising from 2016/17 audit reports has been reasonable, with 85% of those actions due for implementation being completed during the year.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion.

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

Scrutiny

During 2016/17 the Scrutiny Panels have considered a number of issues of particular concern to assess whether there are robust governance arrangements in place as far as the Council's own services are concerned.

Areas considered include:

- Performance and Financial Management
- Review of Legal Services
- Corporate Plan
- Childcare Sufficiency Assessment
- Compliments, Comments & Complaints: Annual Report
- Safeguarding In Schools
- Housing and Homelessness Strategy 2017/22
- Adoption Annual Report
- Highway Inspection Policy
- Social Value Policy
- Home to School Transport Policy
- Annual Report of the Fostering Service
- Annual Report for the Independent Reviewing Service
- Rutland Adult Learning and Skills Service (RALSS) Performance Report

The Scrutiny Commission continues to provide a platform for Chairs of each Panel to meet and share best practice.

In August 2016 the Scrutiny Commission agreed to undertake a review of Poverty in Rutland. The project objectives were to develop an agreed definition of Poverty in Rutland and develop a Council policy in the form of a White Paper to be approved by Full Council that would outline for Rutland how the Council will act to positively impact on poverty within the County. Work on this project began with an All Member Workshop (held in September 2016) followed by each Scrutiny Panel focusing on specific identified issues through examination of reports provided by RCC and External Organisations and expert witness evidence at Panel Meetings through November 2016 to February 2017. A Green Paper on the Poverty Review was drafted in March 2017 and went out to consultation in April 2017. It is intended that work on the project will continue into 2017/18 culminating in a White Paper.

Audit and Risk Committee

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

The Committee completed a self-assessment review in July 2016 and found itself to be broadly compliant with the majority of best practice criteria. The Committee agreed some actions including:

- Asking Directors to present to the Committee on any area rated by internal audit as 'limited'
- Dedicating 30 minutes of every other meeting to training
- Asking the Constitutional Review Working Group to review its terms of reference

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

Joint Safety Committee

The Joint Safety Committee (JSC) is the Council's prime forum for the consultation of occupational health and safety issues between the Council, Executive Officers, Managers and the recognised Trade Unions.

The Committee considers incidents and policies regarding employee health and safety. It also oversees action taken by the Council to promote a health and safety culture.

Complaints

We are achieving good results in our complaint response times. Some improvements are still necessary and we are working to address this by increasing our reminder prompts to officers tasked with dealing with the complaints. The results show that 89% of stage 1 complaints (76% last year) and 92% of stage 2 complaints (70% last year) are answered within the deadlines set within the complaints policies. An annual report on complaints will be taken to Resources Scrutiny Panel in due course.

Financial performance

Quarterly reports on Financial management are presented to Cabinet. In terms of the budget, the Council had an over spend of £444k in 2016/17 but still achieved an overall surplus of £331k. The full report was presented to Cabinet in June.

In August 2016, the Council approved an Efficiency Plan. The Efficiency Plan set out the Council's approach to delivering better value for money. Analysis undertaken for the plan, refreshed as part of 17/18 budget setting, showed that the Council is in the lowest quartile for spending per head.

<http://rutlandcounty.moderngov.co.uk/documents/s6870/Report%20No.%20151-2016%20Efficiency%20Plan.pdf>

Alongside quarterly reporting, the Council undertakes an ongoing review of finances in the lead up to budget setting to assess where savings and efficiencies can be made. The Places Directorate undertook a review of all services in 16/17 mirroring an exercise undertaken by the People Directorate in 2015. In 16/17 the Council identified £807k of new savings to be included in the 17/18 budget.

Corporate performance

Quarterly reports on Performance Management are also presented to Cabinet. The Council's overall performance shows 85% of indicators were on or above target at the end of 2016/17, with 70% either unchanged or improving compared to the same point in 2015/16.

Following the publication of the Council's new Corporate Plan the contents of the Corporate Performance Report are being reviewed to ensure that the report can be used to monitor performance in completion of all the objectives contained within the Corporate Plan. A summary of the changes will be reported to Cabinet in Quarter 1, 2017/18.

Information Governance

The Information Governance (IG) Toolkit is a NHS online system which allows organisations to assess themselves against Information Governance policies and standards. Requirements cover:

- Management structures and responsibilities (e.g. assigning responsibility for carrying out the IG assessment, providing staff training etc)
- Confidentiality and data protection
- Information security.

The Council has assessed how it compares to the IG toolkit standards and found it is compliant. We are currently reviewing and updating the information and evidence provided to maintain compliance with version 14.

Project Management

In 2016, the Council delivered two key IT projects – implementation of a new Adult Social Care system and an upgrade to its Resource Management Systems (Agresso). Both projects were successfully delivered on time and to budget.

Building on the lessons from the delivery of these two key projects, the new Corporate Projects Manager has developed a new project management framework which includes the role of the Project Management Office, a scalable Project Management methodology and Project Management training. All project progress is also being monitored through SMT to understand progress and to overcome any potential issues/risks before they become problematic.

Data Incidents

Between April 2016 and March 2017 11 reports of potential data breaches were made. This is 50% less than 2015/16. All were investigated to satisfactory conclusion with no outstanding risks identified. One incident was referred to the Information Commissioner's Office with no regulatory action required.

The Governance Team continue to raise awareness of data management and best practice and it is now mandatory for temporary staff to undertake data protection training before they are allowed access to the Council's IT system. In addition, a report, outlining all incidents registered under the data incident policy, will be considered by SMT.

Business Continuity

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

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

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

Current controls include the following:

- A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required.

- A Major Incident Plan has been prepared which defines a structure to confirm the nature and extent of any incident, take control of the situation, contain the incident and communicate with stakeholders.
- Business Continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from any site in the event of an incident
- Contract Procedure Rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately

Exercises are carried out annually with senior managers to test business continuity arrangements. The recovery plans are reviewed and updated to take account of the issues identified during the exercises. The last exercise was carried out in April 2016 and the next is planned for June 2017.

Management Assurance

Managers have all completed an assurance statement highlighting whether there may be controls issues in their areas. As expected, there are areas where improvements are required as identified through audit reports or other work. None of the issues raised are considered to be Significant Control issues.

External Audit, Inspections and Reviews

External Audit

The Audit and Risk Committee has received and formally debated the Annual Audit Letter and External Audit Annual Plan. KPMG in their Annual Governance Report for 2015/16 gave the Council an unqualified conclusion on the Statement of Accounts and Value for Money opinion. No concerns were reported regarding the Council's arrangements for securing financial resilience.

National Development Team for Inclusion (NDTi) review of commissioning of services for children and young people with learning disabilities

The review concluded that the Council has much strength, including some excellent good practice, a clear values base and outcomes-focused commissioning. The strong focus on Preparing For Adulthood (PFA) was particularly noticeable. The early intervention and prevention services were also assessed as very good. It was noted that geography was a drawback in level of health input, which becomes more problematic as children get older

Care Quality Commission inspection of Reach and Community Support Services

In November 2016 the Councils Reach team and Community Support Services (Brightways) were inspected by the Care Quality Commission (CQC) both achieving a rating of 'Good'.

The standards that the CQC assess include:

- Person-centred Care
- Dignity and respect
- Consent
- Safeguarding from abuse
- Premises and equipment
- Complaints

A copy of the final report can now be read in full on the CQC website:

<http://www.cqc.org.uk/provider/1-101662540/services>

Peer Challenge Reviews – Adult Social Care Services

In March 2017 the Council's Adult Social Care Services were subject to an external Peer Review. The review concentrated on personalisation and quality. Feedback from this review was very positive and highlighted the following strengths:

- There is an excellent offer to the people of Rutland and outcomes are good
- The positive journey towards greater personalisation was evidenced in case examples, case audit and the values of the members of the workforce
- The whole council approach around support into employment was commended.
- The focus on non-eligible citizens (prevention) and the developing approach to working with those people who have been institutionalised historically was particularly noted

The key area for consideration related to the need to keep the Council's service offer under review in the context of anticipated demand and the pressure on resources.

Ofsted - Children's Social Care services

Rutland's children's services were inspected by Ofsted from 15th November to 8th December 2016. In a final report published on 13th February 2017, Ofsted gave the Council a 'Needs Improvement' rating. The report highlighted a huge amount of good work being done by our staff on behalf of children in Rutland and provided us with an indication of where improvements are required in order for children's services in Rutland to be rated as 'Good'.

A copy of the final report can now be read in full on the Ofsted website:

<https://reports.ofsted.gov.uk/local-authorities/rutland>

While the Council is making significant progress, there are a number of areas where improvement is needed before our children's services can be rated as 'Good'. In many cases we are already working hard to address the points that have been raised and are determined to achieve the best possible outcomes for children in Rutland.

Ofsted's inspection of Rutland's children's services identified the following strengths including:

- Services for children who leave care in Rutland are good
- Staff act quickly to keep children safe when people tell them that they are worried about a child
- When children and families have emerging problems, Rutland's early help services provide a wide range of responsive interventions, preventing some families from needing more formal, statutory involvement with children's social care
- The early help service uses positive ways of working with families to intervene and support children effectively
- Social workers know about children's lives and families get the right help and support when they are having difficulties
- Social workers, teachers, police officers, foster carers and others work well together to keep children safe if they are at risk of sexual exploitation
- The right decisions are made by social workers when children cannot live at home
- When children can no longer live at home, social workers work hard to find the right families
- Social workers and other professionals work well together to look at plans to help improve children's lives
- Staff keep in touch and support care leavers to live independently, stay in education or find a job. They also help them to keep healthy and find somewhere to live where they feel safe

Ofsted has also produced a series of recommendations which we are working to implement, including:

- Ensure senior leaders have access to comprehensive, high quality performance management information in order to understand frontline practice
- Ensure assessments and plans actively consider all risks to children, including emerging and new risks as circumstances for children change
- Improve the quality of assessments and plans across the service by ensuring that they are informed by children's wishes and feelings
- Increase the effectiveness of management oversight across the service, ensuring that the rationale for decisions and actions set is clear
- Improve the effectiveness of out of hour's services by recording all contacts received and by recording events on children's files

The Council has already taken some positive steps and this work continues.

The inspection of Rutland's Children's Services coincided with a review that looked at the effectiveness of the Leicestershire and Rutland Local Safeguarding Children Board (LRLSCB), which has subsequently been rated as 'Good'. We are extremely proud of the work we do in partnership with the LSCB to keep children safe and are pleased that the board has received this recognition from Ofsted: lrsb.org.uk

Public Services Network compliance

The Council must demonstrate compliance with the Public Services Network (PSN) on an annual basis. The PSN is an information assurance mechanism to support the connection of the Council's network to other PSN accredited networks, without increasing or substantially changing the risks to the already accredited network. The Council undertakes an IT Security Health-Check annually (carried out by an accredited third party) to identify any compliance issues. Once these have been addressed, the Council completes a PSN renewal submission. The Council is now fully compliant until April 2018.

Local Government Ombudsman (LGO)

The Ombudsman's report for the year ending 31 March 2016 showed that 10 complaints (compared to 14 in 2014/15) had been made during the year, with no complaints being upheld by the Local Government Ombudsman.

Decisions Made:

Upheld	Not Upheld	Advice Given	Closed After Initial Enquiry	Incomplete Or Invalid	Referred Back For Local Resolution	Total
0	1	0	6	1	2	10

Summary

This statement has been considered by the Audit and Risk Committee, who were satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There has been one significant governance issue arising. Whilst action has been taken to address this issue, full disclosure of the issue, impact and Council's response is given below.

5. Significant Governance Issues

There are no significant issues to report.

6. Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

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

Signed:

Helen Briggs, Chief Executive

Date:

Signed:

Tony Mathias, Leader of the Council

Date::

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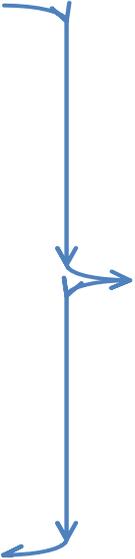
Appendix B (157/2017)

The numbers contained within this appendix were correct at the time of submitting the report, but may vary from the final published accounts as the auditors are still completed the assurance process and the accounts could still have amendments.

Comprehensive Income and Expenditure Statement (CIES)

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

Comprehensive Income & Expenditure Statement (CIES)	Notes	Gross Expend £000	Gross Income £000	Net Expend £000
109 People		32,603	(15,622)	16,981
Places		18,568	(3,938)	14,630
Resources		11,741	(6,438)	5,303



These service costs will include cash payments to employees and for services, as well as non-cash expenditure such as depreciation, impairments and accruals. It also show all sources of income received and accrued in year. Accrued expenditure represents the value of goods or services received by the authority by 31st March which have been paid. Similarly accrued income represents income due, but not yet received.

Cost of Services		62,912	(25,998)	36,914
Other Operating Expenditure	9	779	(189)	590
Financing & Investment Income & Expenditure	10	2,134	(254)	1,880
Comprehensive Income & Expenditure Statement (CIES)	Notes	Gross Expend	Gross Income	Net Expend
		£000	£000	£000
Taxation & Non-Specific Grant Income	11	-	(40,638)	(40,638)

This is the accounting cost for delivering the Councils services. This is shown in a standard format across all councils following guidance issued from CIPFA.

This shows the Other Operational Expenditure for Parish Council precepts, external levies and the transfer of our assets to Academies.

This shows the net interest on the pension liability, borrowing costs and other similar charges.

This shows the income received from Council Tax (£21m), Business Rates (£4m) and Non Ring Fenced Grants (e.g. Revenue Support Grant (4m))

(Surplus) / Deficit on Provision of Services		65,825	(67,079)	(1,254)
Surplus on Revaluation of Non-Current Assets				(312)
Actuarial (Gains) / Losses on pension Assets / Liabilities				5,629
Other Comprehensive Income &				5,317
Total Comprehensive Income & Expenditure				4,063

This shows that the Council has made a deficit, after all statutory accounting adjustments have been made, for providing its services.

This shows the Council has made an accounting surplus on the revaluation of the Councils assets. Changes in valuations are matched by changes in the revaluation reserve.

This shows that the value of our pension fund has increased.

This statement shows the true accounting position in the year before any statutory overrides are applied (See Movement in Reserves Statement)

Movement in Reserves Statement

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

112	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grant Unapplied	Total Useable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2014	10,145	8,729	1,471	3,861	24,206	17,436	41,642

<p>Surplus / (Deficit) on Provision of Services</p> <p>113</p>	1,254	0	0	0	1,254	0	1,254
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This is the accounting cost for delivering the Councils services. This is shown in a standard format across all councils following guidance issued from CIPFA. (Taken from the Comprehensive Income and Expenditure Statement)



	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grant Unapplied	Total Useable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Other Comprehensive Income & Expenditure	0	0	0	0	0	(5,317)	(5,317)
114							
Total Comprehensive	1,254	0	0	0	1,254	(5,317)	(4,063)

This shows that the council has made a net gain on its revaluation gains of assets and a gain in pensions and liabilities (Taken from the Comprehensive Income and Expenditure Statement)



<p>Adjustments between accounting basis and funding basis under regulations (Note 13)</p> <p>115</p>	(1,603)	1,416	47	1,491	1,351	(1,351)	0
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This is used to remove accounting entries required by accounting standards (Depreciation etc.) and add transactions required by statute (MRP). This is done to ensure the Impact to tax payers is based on the true cost of delivering services and does not include any accounting adjustment (e.g. depreciation)



	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grant Unapplied	Total Useable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Net Increase before Transfer to Earmarked Reserves	(349)	1,416	47	1,491	2,605	(6,668)	(4,063)
Transfers to / (from) Reserves	(161)	161	0	0	0	0	0
116							
Inc/(Decrease) in 2016/17	(510)	1,577	47	1,491	2,605	(6,668)	(4,063)
Balance 31 March 2017	9,635	10,306	1,518	5,352	26,811	10,768	37,579

These are transfers to specific reserves, approved by members based on an underlying requirement to earmark the funds for a specific need.

This is the closing balance on the different reserve type, and agrees to the closing reserves balance on the Balance Sheet

Balance Sheet

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

Balance Sheet	Notes	31st March 2017
		£000
Property, Plant & Equipment	17	70,009

The value is largely based on the market value of Land & Buildings, Vehicles Plant & Equipment, Infrastructure, Assets Under Construction and Surplus Assets with any accumulated depreciation and impairment taken off. These are assets that will have a life of more than 1 year.

Intangible Assets	23	603
Long Term Debtors	22	339
Long Term Assets		70,951
Inventories 118		92
Short Term Investments	15	26,101

The value is largely based on the Historic Cost (the amount spent to acquire the asset), Intangible assets are generally assets that do not have a physical composition (e.g Computer software). These are assets that will have a life of more than 1 year.

The long term debtors represent the amount owed to the Council by individual organisations for services provided, grant payments etc. These debtors are expected to take longer than 12 months to realise.

This is the balance for the council's inventories e.g. Salt Stocks

These are the Council's short term investments that are expected to be turned into cash within 12 months

Balance Sheet	Notes	31st March 2017
		£000
Short Term Debtors	22	4,039
Cash & Cash Equivalents	29	1,413
119 Current Assets		31,645
Short Term Creditors	24	(4,640)
Provisions	25	(265)
Current Liabilities		(4,905)
Long Term Borrowing	15	(22,345)

The short term debtors represent the amount owed to the council by individual organisations for services provided, grant payments etc. These debtors are expected to take less than 12 months to realise.

Cash and Cash equivalents represents cash in the bank and short term (less than 3 months) investments that can be easily converted into known amounts of cash.

Short term creditors represent the amount owed by the council to individual organisations for services provided, grant payments etc.

The Council's provisions are future liabilities where there is uncertainty about how much or when it will have to pay. These include Land Chargers and NDR (appeals against the rateable valuation set by the Valuation Office Agency (VOA)).

These are the councils long term borrowing. This has been used to support the Councils Capital programme.

Other Long Term Liabilities	31	(37,767)
Long Term Liabilities		(60,112)
Net Assets		37,579
Usable Reserves	13	(26,811)
Balance Sheet	Notes	31st March 2017
120		£000
Unusable Reserves	13	(10,768)
Total Reserves		(37,579)

This shows the councils pension Liabilities. (e.g. This would be the amount the Council would pay if we had to pay everything out as at 31st March 2016)

Those reserves that can be applied to fund expenditure or reduce local taxation e.g. General Fund Balance, School Balances, Specific Reserves and Capital Grants.

Those reserves that absorb the timing difference arising from different accounting arrangements we have to apply. e.g. Revaluation Reserve, Capital Adjustment Account, Deferred Capital Receipts, Pension Fund Reserves, Collection Fund Adjustment Account and Absence Adjustment Accounts

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council

AUDIT AND RISK COMMITTEE

19th September 2017

EXTERNAL AUDITORS REPORT

Report of the Director for Resources

Strategic Aim:	Delivering Services within the Medium Term Financial Plan	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Receive the External Auditors Report and consider any issues arising; and
2. Approve the letter of representation in Appendix 1 for signing by the Chair of this Committee and the s151 Officer (the Assistant Director - Finance).

1 PURPOSE OF THE REPORT

- 1.1 The external auditors report to those charged with governance is appended to this report. The report informs the Committee on matters arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The Statement of Accounts (SoA) was approved for publication by the Assistant Director - Finance on 30 June 2017 and submitted to the external auditor, together with accompanying working papers for the start of the audit on 17 July 2017.
- 2.2 A number of minor presentational changes were agreed with the external auditor during the course of the audit and these have been incorporated into the SoA that is reported to you for approval on a separate item on the agenda. None of the

changes have affected the overall financial position and the General Fund balance at 31 March 2017.

- 2.3 Members will be pleased to note that the Council has again received an unqualified audit opinion on the Statement of Accounts. The Auditors have also concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. One recommendation has been made to which the Council has responded in Appendix 1 of the report.
- 2.4 The Council is required to provide a signed version of the letter of representation (Appendix A) stating the basis upon which the SoA have been compiled. The external auditors sometimes request specific assurances about certain areas but this is not the case in this instance.

3 CONSULTATION

- 3.1 Under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act the public have been able to view and comment on the accounts from the 3 July 2017 and ending on the 11 August 2017 (30 working days). At the time of writing the report there had been no requests to view or comment on the accounts to either the Council or to the Auditors.

4 ALTERNATIVE OPTIONS

- 4.1 The Audit and Risk committee could choose not to sign the Letter of Representation. However, doing so would result in the Council not meeting its statutory duty to approve and publish audited accounts by the 30 September 2017.

5 FINANCIAL IMPLICATIONS

- 5.1 None – The report in appendix A confirms the council received an unqualified audit opinion and secured value for money.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to approve the Councils Annual Statement of Accounts and Annual Governance Statement, which the letter of representation forms part of.
- 6.2 Other than the statutory requirement to publish the signed audited accounts by the 30 September 2017, there are no further legal considerations.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 This report presents the opinion from the external auditors and highlights some of the key matters, and asks the Audit and Risk Committee to approve the letter in line with their constitutional responsibility.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report.

12 APPENDICES

12.1 Appendix A – Letter of Representation

12.2 Appendix B – Report to those charged with Governance (ISA 260) 2016/17

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

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**Rutland
County Council**

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Tony Crawley
Director
KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

08/09/2017

Dear Tony

LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Rutland County Council (“the Authority”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

There are no:

- Other liabilities that are required to be recognised and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, including liabilities or contingent liabilities arising from illegal or possible illegal acts; or
 - Other environmental matters that may have an impact on the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

11. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Risk Committee on 19th September 2017.

Yours sincerely,

Mr S Della Rocca
Assistant Director (Finance) – Section 151 Officer

Ms G Waller
Chair of Audit and Risk Committee



External audit report 2016-17

Rutland County Council

September 2017

Summary for Audit and Risk Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Rutland County Council ('the Authority').

This report focusses on our on-site work which was completed in July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised in Section 1.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September 2017.

There are currently the following outstanding matters:

- Final audit Director review;
- Addressing any remaining audit queries and any matters arising from our completion procedures;
- General audit file completion and review procedures;
- Post balance sheet events review up to the date of signing the audit opinion; and
- Final review the working papers and amended accounts.

There were a number of minor presentational matters which officers agreed to amend in the final statement of accounts. There are no audit adjustments that we need to report to you.

Based on our work, we have raised 1 recommendation. Details on our recommendations can be found in Appendix 1.

Subject to clearance of our final queries and final (including Director) review we are moving into the completion stage of the audit and currently anticipate issuing our completion certificate alongside the opinion and vfm conclusion in September 2017.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details in section two.

Public Interest Report

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have nothing to report.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit and Risk Committee to note this report.

Contents

The key contacts in relation to our audit are:

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This report is addressed to Rutland County Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

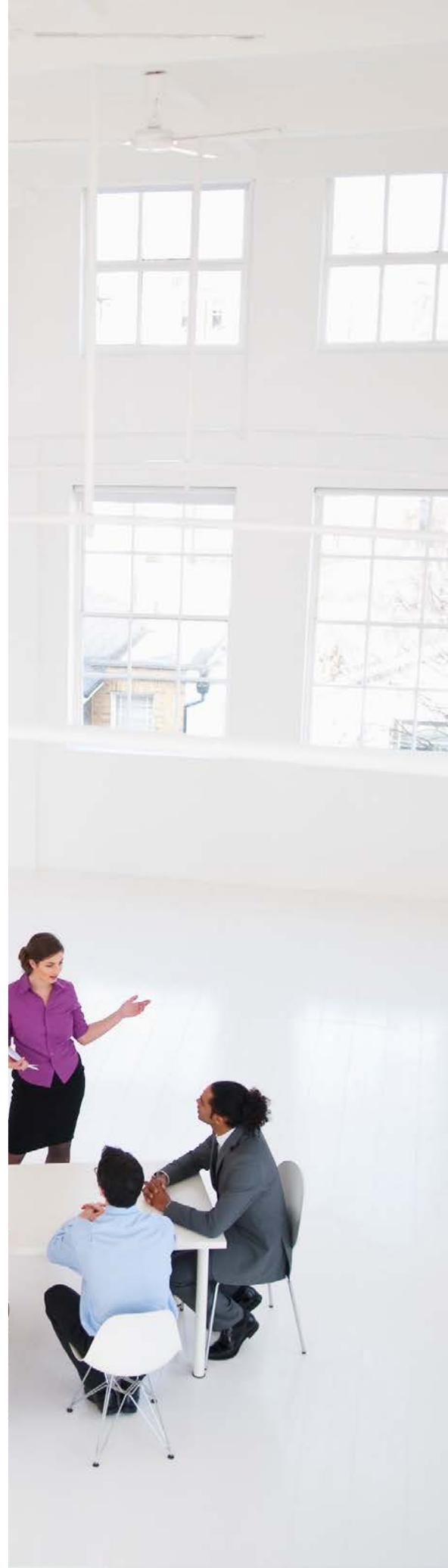
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley (the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016-17 financial statements by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.



Significant audit risks

Our *External Audit Plan 2016-17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Significant changes in the pension liability due to LGPS Triennial Valuation	<p>Why is this a risk?</p> <p>During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the <i>Local Government Pension Scheme (Administration) Regulations 2013</i>. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council, who administer the Pension Fund.</p> <p>Our work to address this risk</p> <p>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls.</p> <p>We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have engaged with the Leicestershire Pension Fund auditors to gain assurance over the pension figures.</p> <p>There are no matters from our work which we need to draw to your attention.</p>
2. Agresso financial systems upgrade	<p>Why is this a risk?</p> <p>The Authority upgraded its Resource Management System (Agresso) during 2016/17. It is one of the Council's key IT systems and is used for the processing and recording of all financial transactions (general ledger, accounts payable, payroll, debtors and recovery, cash receipting) and key to effective financial control and reporting.</p> <p>As part of the change the Authority has entered an agreement with Herefordshire Council under which it:</p> <ul style="list-style-type: none">• built the new system for the Authority;• moved all of the Authority's data across to this new system; and• provides ongoing support for the system. <p>The new system is located in Herefordshire's offices using their existing infrastructure and operated under a hosted system model.</p> <p>There was a risk that the new system and the new arrangements were not implemented and operating effectively according to the required timetable, and that the data was not transferred between the systems completely and accurately.</p> <p>Our work to address this risk</p> <p>We liaised with the Authority's finance team and Internal Audit to evaluate the steps taken to effectively manage the systems' changeover. We reviewed the work carried out to confirm the data was transferred completely and accurately.</p> <p>There are no matters from our work which we need to draw to your attention.</p>

Significant audit risks

Our *External Audit Plan 2016-17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified one area of audit focus. This is not considered a significant risk as it is less likely to give rise to a material error. Nonetheless this is an area of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus	Our work to address the areas
1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS	<p data-bbox="446 613 582 638">Background</p> <p data-bbox="446 658 1319 706">CIPFA has introduced changes to the 2016-17 Local Government Accounting Code (Code):</p> <ul data-bbox="446 731 1329 969" style="list-style-type: none"><li data-bbox="446 731 1329 841">— Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and<li data-bbox="446 866 1329 969">— Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. <p data-bbox="446 992 1329 1102">The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p data-bbox="446 1125 672 1149">What we have done</p> <p data-bbox="446 1172 1350 1255">For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also ensured compliance with new disclosure requirements and found no issues to note.</p>

Judgements

We have considered the level of prudence within key judgements in your 2016-17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016-17	2015-16	Commentary
Property, Plant and Equipment (PPE) valuations	3	3	PPE are valued at £70.0m. Valuations are consistent with information provided by the external valuer.
Non Domestic Rates provision	3	3	The Authority has established a £0.265m provision to meet its share of the cost of any successful rateable value appeals. We concluded that it was not materially misstated.
Pensions liability	3	3	The reported balance (£37.7m), together with assumptions and disclosures for inflation, discount rate, salary growth, life expectancy etc. are consistent with the report from the external actuary.
Debtors Impairment provision	3	3	There have been no significant changes in the approaches to determining the estimate. The change in the level of the provision on the previous year is not material.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016-17 financial statements following approval of the Statement of Accounts by the Audit and Risk Committee on 26 September 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £1.3m. Audit differences below £70,000 are not considered significant.

We did not identify any material misstatements. We identified a number of minor presentational issues that have been adjusted by management.

Section one: financial statements

Annual governance statement

We have reviewed the Authority's final 2016-17 Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*;

and

- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's final 2016-17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Section one: financial statements

Accounts production and audit process

Auditing standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017-18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

The draft financial statements were prepared by 31 May 2017, although not published until the following month. The Authority is in a relatively good position to meet the new 2017-18 deadline but it needs to continue to ensure its arrangements are effective. We consider the Authority's accounting practices to be appropriate.

Completeness of draft accounts

We received a complete set of accounts for audit on 29 June 2017.

Quality of supporting working papers

Our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) outlined our documentation request. This helped the Authority to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with supporting audit trails.

Response to audit queries

The finance team responded promptly during the audit to our requests for additional information or explanation.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

We have assessed the effectiveness of your key financial system controls, on which we rely as part of our audit. We found that the financial controls on which we seek to place reliance are operating effectively and there are no exceptions that we need to include in this report.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinion and conclusion we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Rutland County Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Rutland County Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to management for presentation to the Audit and Risk Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgement, are significant to the

oversight of the financial reporting process; and

- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.



Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

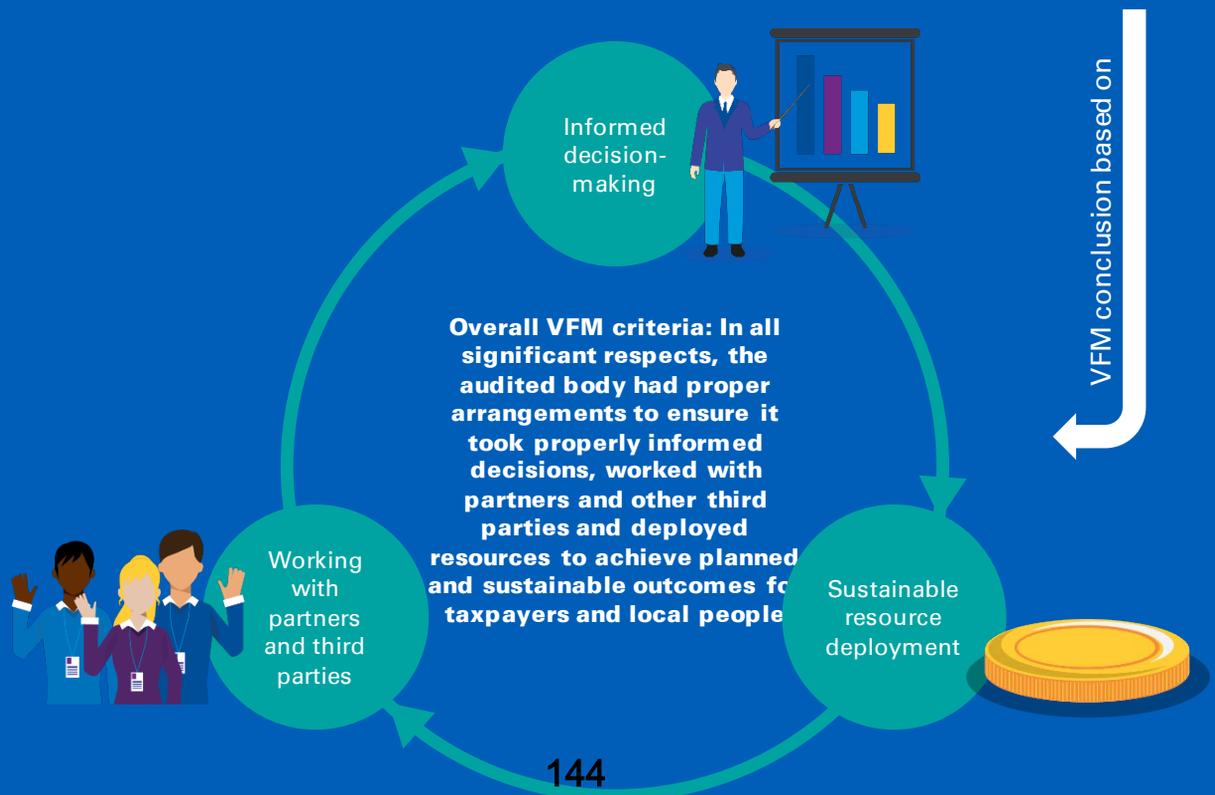
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

The Code of Audit Practice, published by the NAO in April 2015, requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Section two: value for money

The table below summarises our assessment of the individual VFM risk factor identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
Financial resilience	✓	✓	✓

In consideration of the above, we have concluded that in 2016-17, the Authority has made proper arrangements to ensure it took properly-informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

VFM risk assessment

We have identified two areas of focus for our continuing VFM risk assessment, as communicated to you in our *2016-17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas is adequate and no additional significant VFM risks have been identified.

Areas of focus	Work performed
Agresso upgrade and financial resilience	<p>There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK's membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will impact on the Authority's finances and it needs adequate arrangements for managing its current and medium term financial standing. Alongside these national risks the Authority needs to properly manage the changes to its financial systems to ensure financial monitoring and reporting arrangements continue to operate effectively.</p> <p>Summary of our work</p> <p>Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. We have summarised below and overleaf our key findings in relation to the three criteria for 2016/17 VFM conclusion in relation to the risks identified.</p> <p>Informed decision making and working with partners and third parties</p> <p>We have considered the Authority's arrangements in the context of this requirement (for example, the Better Care Fund, the LEP, its shared services with Peterborough City Council and the newly established IT partnership working with Herefordshire Council). We have not identified any matters we wish to draw to the Authority's attention in relation to its arrangements for ensuring informed decision making and working with partners and third parties.</p> <p>Agresso upgrade</p> <p>The new arrangements are in place and no significant concerns have been reported regarding their operation and there were arrangements in place for ensuring the data was transferred between the systems completely and accurately</p> <p>Sustainable resource deployment - 2016/17 Outturn</p> <p>We have considered the Authority's arrangements for managing its annual revenue and capital budgets and the 2016/17 outturn. The Authority reported a surplus of £326k, which was £449k lower than the £775k budgeted surplus. The outturn report to Cabinet sets out the reasons for this variance, and includes explanations for any significant differences between the original budget, in-year forecasts and the outturn position. The main in-year cost pressures where budgets were overspent were in relation to the Childrens (Early Intervention – targeted (£0.2m variance) and Fostering/Adoption (£0.4m variance) and Places (Waste Management (£0.2m) Directorates. These emerging and continuing cost pressures are similar to those experienced at other authorities and the base budgets and Medium Term Financial Strategy (MTFS) have been updated.</p> <p>The Authority set a £12.1m capital expenditure budget for 2016/17 and spent £5.3m in the year. Around £4.3m to support ongoing schemes has been carried forward to the 2017/18 capital programme and the Authority is continuing to keep progress closely under review and ensure there are sufficient resources to deliver the programme.</p>

VFM risk assessment

We have identified two areas of focus for our continuing VFM risk assessment, as communicated to you in our *2016-17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas is adequate and no additional significant VFM risks have been identified.

Areas of focus	Work performed
Agresso upgrade and financial resilience (continued)	Financial outlook In February 2017, the Council approved the 2017/18 Budget and Medium Term Financial Plan (MTFP) to 2020/21. The Authority has set a balanced budget for 2017/18. The budget includes £817k of new savings and none of the savings were assessed by management to have a significant impact on front line services. The MTFP provides the framework for financial planning and resource allocation and supports the existing Corporate Plan and other strategic documents. The MTFS reflects the Government's four year funding settlement with the Council and other assumed resources and budget pressures. The MTFS identifies a budget gap of up to £1.8m by 2020/21. The Authority has acknowledged the importance of it identifying sufficient savings and opportunities to generate income to bridge the forecast gap in the MTFP and intends to closely monitor the position.

A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, natural light source. The word 'Appendices' is overlaid in a thin, dark red font, centered horizontally and partially enclosed by two vertical lines of the same color.

Appendices

Key issues and recommendations

Our audit work on the Authority’s 2016-17 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendation.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendation. We will formally follow up this recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

- 

Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 

Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 

Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in 2016/17.

Recommendations summary	
Priority	Total raised for 2016/17
High	0
Medium	1
Low	0
Total	1

Recommendation



Production of 2017/18 draft accounts and external audit

The draft financial statements were prepared by 31 May 2017, although not published until the following month. The Authority is in a relatively good position to meet the 31 May 2018 deadline for the publication of the 2017-18 draft financial statements. Nevertheless it needs to continue to ensure its arrangements are effective. The audit opinion deadline has also been brought forward to 31 July 2018 meaning that there will be much less time for the accountancy team to respond to and process any audit queries or changes to the draft financial statements. There was a relatively small number of audit queries this year and presentational errors in the 2016-17 draft financial statements identified during our audit, and these are to be corrected by management.

Recommendation

The accountancy team should critically review its closedown arrangements and the format and likely content of the Statement of Accounts before the 2017/18 year-end and discuss its proposals with KPMG before the statements are produced.

Management Response

The Council has already started developing its closure timetable for 2017/18 and will incorporate the recommendations into the timetable. The Finance Team have scheduled a lessons learnt exercise to develop the accounts and review which statements can be prepared in advance of the year end. Any proposals that materially change the presentation or content of the accounts will be discussed with KPMG as they arise.

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Risk Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Our audit did not identify any material misstatements. There were a number of presentational matters which officers agreed to amend. We will check these expected amendments have been made to the final statement of accounts before giving our audit opinion. There are no agreed changes that we need to highlight in this report.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgement and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

The planning materiality reported in our External Audit Plan 2016-17 was £1.4m. When we received the Authority's financial statements we amended our materiality to £1.3m which equates to around 1.9% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £70,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately

disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit and Risk Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Rutland County Council for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Rutland County Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Teachers' Pension Agency (TPA) Annual Return 2015/16	£2,500	<p>Self-interest: This engagement is entirely separate from the audit and there is a separate engagement letter in place.</p> <p>Self-review: The nature of this work is to issue the Accountant's Independent Assurance Report in accordance with the specific assurance instructions set out by the TPA. It does not impact on our opinion and we do not consider that the outcome of this work is a threat to our role as external auditors.</p> <p>Management threat: This work was undertaken in accordance with the Assurance Instruction provided by the TPA.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Authority in any aspect of this work.</p> <p>Intimidation: Not applicable</p>
Total estimated fees	£2,500	
Total estimated fees as a percentage of the external audit fees	3.5 %	

Appendix 5

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016-17, our scale fee for the audit is £65,481 plus VAT (£65,481 in 2015-16). However, we propose an additional fee due to further work required in relation to the CIES restatement.

Our work on the certification of Housing Benefits (BEN01) is planned for October 2017. The planned scale fee for this is £5,385 plus VAT, see further details below.

PSAA fee table		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee	65,481	65,481
Additional work to conclude our opinions (note 1)	TBC	0
Subtotal	65,481*	65,481
Housing benefits (BEN01) certification work		
PSAA scale fee – planned for October 2017	5,385	4,850
Total fee for the Authority set by the PSAA	70,866*	70,331

All fees are quoted exclusive of VAT.

Note 1: Accounts opinion and use of resources work

For 2016/17, we have discussed additional fee in relation to the work undertaken in respect of the CIES restatement. This is still subject to final agreement and PSAA approval.

* Does not include the additional fee re Note 1



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AUDIT AND RISK COMMITTEE

19th September 2017

ANNUAL FRAUD REPORT 2016/17

Report of the Director for Resources

Strategic Aim:	All		
Exempt Information	No		
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)		
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358	dmogg@rutland.gov.uk
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Endorses the content of this annual fraud report; and
2. Notes the arrangements in place to mitigate the risk of fraud against Rutland County Council.

1 PURPOSE OF THE REPORT

- 1.1 This report provides an overview of any fraud related activity, which has affected Rutland County Council during the period 2016-17. The report also seeks to provide assurance regarding the Council's resilience against the risk of fraud. This report is provided in accordance with the Committee's Terms of Reference to provide assurance of the adequacy of the risk management framework and control environment.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss). Under the Fraud Act 2006, there are three main ways to commit fraud:

- Fraud by false representation;

- Fraud by failing to disclose information; and
- Fraud by abuse of power.

2.2 These categories can be applied to any fraudulent activity that the Council may, at times, be subjected to. For example, false representation may occur during the recruitment process, failing to disclose information may arise during the registration of interests' process and abuse of position could occur across nearly all service areas.

2.3 Fraud has a serious impact on all parts of the economy and costs the UK in the region of £193 billion per year. The cost of fraud to the public sector is estimated at £37.5 billion, money that could be used for local services.

2.4 During 2016/17, there was a fraud investigation at the Council related to public health which is still ongoing. There were no further reports of fraud being committed against the Council in areas other than Revenues and Benefits. In this area, the Council saved £63,100 through fraud detection during the period of this report; this was attributable to housing benefit and council tax discount awards.

3 WHAT IS THE COUNCIL'S COUNTER FRAUD STRATEGY?

3.1 Councillors and Officers continue to have a crucial role in supporting the right approach to deter and detect fraud. For example;

- Ensuring the Council understands local fraud risks;
- Comparing the Council's performance against countering fraud with similar Council's where data is available;
- Ensuring counter-fraud resources are proportion to risk and local harm;
- Encouraging the Council to focus on deterrence, by widely publicising action against fraudsters and to mitigate the risk of fraud; and
- Increasing staff confidence in the Council's whistleblowing arrangements through corporate leadership and assurance and support for those who report concerns.

3.2 The Council's Counter Fraud Strategy forms part of the Constitution. It was last reviewed in 2012 and is scheduled for a further full review in 16/17. This review was deferred to 2017/18 pending the arrival of the new Head of Corporate Governance. Internal Audit will be supporting this work as they have reviewed strategies across their client base and can advise on best practice. The Strategy will be referred to the Audit and Risk Committee for consideration in due course.

3.3 The Strategy is made up of five key areas with a clear theme of individual responsibility placed upon Councillors and Officers for their own conduct:

- Prevention;
- Detection;
- Investigation;

- Retribution and Restitution; and
- Use of deterrents.

4 HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD DURING 2016/17

4.1 **Internal Audit:** Internal Audit will sometimes conduct a specific fraud review which looks at two or three fraud risks (from the Risk Register) and examines whether controls reported are working in practice. The last review was undertaken in 2015/16 and a further review is planned in 2017/18. Alongside specific fraud work, the auditors will review aspects of fraud elements in their financial systems and other work. In 2016/17, work was undertaken in a number of areas where fraud risk is relevant (creditors, debtors, benefits, payroll, taxi licensing, highways maintenance contract, contract procedure rule compliance). These audits have highlighted one issue in respect of highways which is being looked at further. In all other areas sufficient or substantial assurance was received.

4.2 **Fraud Risk Register:** The Council’s Fraud Risk Register is now on our risk management software system alongside the Corporate Risk Register. This allows greater transparency of the Fraud Risk Register to staff. The Register is reviewed and presented to Audit and Risk committee every six months. The current Fraud Risk Register is included as **Appendix A** to this report. Each risk is assessed based on its impact and likelihood; these scores then reflect where the risk sits within the risk matrix:

IMPACT	Most Severe 4	30					
	Major 3	13,21	34,43	17			
	Moderate 2	25	16,18,20, 35,37,39, 45,46,47	14,15,19, 23,24,27, 28,33,36, 38,40,42, 44	26		
	Minor 1		22,29,41	31,32			
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
		LIKELIHOOD					

4.3 **Joint Working Arrangements:** The Council is continuing to work with colleagues at Leicester City Council on funded initiatives such as data matching; sample data sets have been sent to Leicester City Council so that parameters can be established for future data sharing.

4.4 **Training and Awareness:** The Council continues to deliver Fraud Awareness training to all new Officers during the induction process. This is reviewed regularly to ensure current trends and data is included. More targeted training will be delivered as part of the review of the Council’s Fraud Strategy.

4.5 **Whistleblowing – Reporting Concerns:** The Council’s Whistleblowing policy has been fully reviewed. The Policy was approved by Cabinet in February 2016. Since then, all managers have been briefed and press releases have been issued to inform our residents of the changes in reporting concerns.

5 HOW DO WE MEASURE THE LEVEL OF FRAUD EACH YEAR?

5.1 **Benefit Related Fraud:** As identified earlier in the report, the biggest challenge for any Council continues to be the management of benefit-related fraud. The Department for Work and Pensions investigates allegations of Housing Benefit fraud via their Single Fraud Investigation Service (SFIS). During the period of this report, 31 benefit fraud cases were referred to the SFIS; 3 cases were closed with no further action required, leaving 25 cases that are actively under investigation. At year end the overpaid benefit amounted to £6,300.

5.2 **Blue Badges:** There were no reported issues concerning the fraudulent use of a Blue Badge during the period of this report. The Council has 1628 badges in circulation and will continue to monitor their use. 232 badges were cancelled during the period of this report (209 of these were due to the badge holder being deceased).

5.3 **Single Person Discount:** The Revenues and Benefits team undertake various checks as a means of preventing and detecting fraud and corruption. One annual check involves verifying the eligibility of Council Tax Single Person Discount claims. The Council engages a specialist company to carry out this work. The outcome involves asking claimants to confirm ongoing entitlement. Where claimants fail to confirm then the discount is removed. During the period of this report, the Council removed 143 Single Person Discount awards resulting in an estimated saving of £56,800 to the Council.

5.4 **National Fraud Initiative (NFI):** The NFI places a mandatory requirement on local authorities to annually upload selected datasets to a secure website. The data is then matched against other collected data and a number of matches are produced for each authority. In 2016, 1,267 matches were produced for the Council to review. The process involves sifting through the cases so that only those of a potential high risk are processed. Following this review there were no issues to report; the matches had either been dealt with between the period of the data being uploaded and the matching reports being presented to us (approximately five months) or simply referred to housekeeping issues, such as the incorrect recording of a date of death or a National Insurance number.

6 ASSURANCE

6.1 Overall, the Council is managing the risk of fraud well; Rutland is one of the few Local Authorities to create a Fraud Risk Register and this has been commended by Internal Audit. The Council is also actively engaged in a joint working arrangement with other authorities and has professionally trained officers, who are specialists in this discipline. Fraud risks and emerging threats will continue to be assessed as part of the Council’s approach to manage fraud, alongside a full review of the Council’s Fraud Strategy, due to be completed during 2017/18.

7 CONSULTATION

7.1 There is no requirement to consult on this subject; the report focusses on internal arrangements to counter fraud.

8 ALTERNATIVE OPTIONS

8.1 The alternative option is to fail to implement any measures to address the risk of fraud. This would leave the Council vulnerable therefore it is not an option that should be considered.

9 FINANCIAL IMPLICATIONS

9.1 The financial implications of failing to protect the Council should be substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being protected from abuse.

10 LEGAL AND GOVERNANCE CONSIDERATIONS

10.1 The Council has an on-going obligation to detect and investigate localised fraud and to prevent reoccurrence by risk management and the continuance of good governance including best practice and by following evolving anti-fraud initiatives.

11 EQUALITY IMPACT ASSESSMENT

11.1 An Equality Impact Assessment (EqIA) has not been completed as the report concerns internal administrative procedures.

12 COMMUNITY SAFETY IMPLICATIONS

12.1 None

13 HEALTH AND WELLBEING IMPLICATIONS

13.1 Good governance arrangements promote the financial wellbeing of the local community.

14 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

14.1 This report seeks to demonstrate that the Council continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place. Fraud risks are managed effectively therefore preventing harm to the local community. It should, however, be noted that although the Council will make vigorous efforts to protect itself; fraud is recognised as a growing area of concern and the Council is not immune to these increased levels of risks. Therefore a vigilant approach is required at all times.

15 BACKGROUND PAPERS

15.1 There are no additional background papers to the report.

16 APPENDICES

16.1 EXEMPT Appendix A – Fraud Risk Register

Exempt Appendix – Appendix A is marked as “Not For Publication” because it contains

exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972, namely the information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

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

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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AUDIT AND RISK COMMITTEE

19th September 2017

INTERNAL AUDIT UPDATE

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr O Hemsley – Deputy Leader and Portfolio Holder for Growth, Trading Services and Growth, Infrastructure and Resources (except Finance)	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Members note the Internal Audit update report (Appendix A).

1 PURPOSE OF THE REPORT

- 1.1 To update Members on the progress made in delivering the 2017/18 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Update on Delivery of Internal Audit Plan

- 2.2 The progress made to date in delivering the 2017/18 audit plan is set out in Appendix A. At the time of reporting, four audit assignments have been completed, two reports are in draft awaiting management comment and work is underway on eight further assignments.

- 2.3 All completed assignments (Risk Management, Deputyships and Court of Protection, Social Media Review and Council Tax and NNDR Fraud) have been given opinions using the new method for rating each audit area. This was discussed at the last Audit and Risk Committee meeting. In each area completed, the “organisational impact” of control environment and compliance issues was

assessed as Minor. On this basis, the full findings from those audits are not reported in full to the Committee but reports are available to Members.

2.4 Implementation of Recommendations

2.5 Internal Audit request that officers provide updates on all open audit actions on a monthly basis.

2.6 Since the last Committee meeting, seventeen recommendations have been confirmed as implemented.

2.7 There are currently eleven actions rated as 'Essential' or 'Important' which are due for implementation but have not yet been fully implemented. Internal Audit has been provided with assurance that progress is being made in these areas with revised dates for full implementation provided where possible.

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

4.1 The Committee is asked to note the report but may wish to receive an earlier update on any limited assurance reports.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual report and satisfying itself that the conclusions reached are reasonable in light of the work undertaken. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.

6.2 There are no legal implications arising from this report.

7 EQUALITY IMPACT ASSESSMENT

7.1 There are no equality implications.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The latest update report, provided in Appendix A, details the findings of recent

Internal Audit work and any weaknesses in the control environment highlighted by these reviews, and provides an overview of the performance of the Internal Audit team and the implementation of actions by management. The Committee plays an important role in the oversight of Internal Audit work.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report

12 APPENDICES

12.1 Appendix A: Internal Audit Update Report

12.2 Appendix B: Implementation of Audit Recommendations

12.3 Appendix C: Customer Satisfaction Statistics

12.4 Appendix D: Limitations and responsibilities

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RUTLAND COUNTY COUNCIL
INTERNAL AUDIT UPDATE
SEPTEMBER 2017

Date: 19th September 2017

Introduction

- 1.1 LGSS provides the internal audit service for Rutland County Council and has been commissioned to provide 370 audit days to deliver the 2017/18 annual audit plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Risk Committee to scrutinise the performance of the internal audit team and – of equal significance – to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with the information, on progress in delivering planned work and on performance of the Internal Audit service, which it requires to engage in effective scrutiny.

Performance

2.1 Will the Internal Audit Plan for 2017/18 be delivered?

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2018.

At the date of writing, four audit assignments have been completed, two reports are at draft report stage and work is underway or complete on eight further assignments. As such, at this time 56% of the Plan is either complete or in progress.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the Audit Plan within the 370 days budget. Any overruns on individual assignments are managed within the overall budget.

2.3 Is the Internal Audit team achieving the expected level of productivity?

The most recent information available (week 21) shows that the Internal Audit team are spending 93% of time on chargeable activities against a target of 90%.

2.4 Are clients satisfied with the quality of the Internal Audit assignments?

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, three questionnaires had been returned with scores of 'Good' or 'Outstanding'. See Appendix C for further details.

2.5 Based upon recent Internal Audit work, are there any emerging issues that impact on the Internal Audit opinion of the Council's Control Framework?

Since the last Committee meeting, four audit reports (**Risk Management, Deputyships and Court of Protection, Social Media Review and Council Tax and NDR Fraud**) have been finalised. The status of each assignment is provided in Table 1.

The review in relation to the Highways Maintenance contract remains ongoing at the time of reporting. The findings will be shared with the Audit and Risk Committee at the earliest opportunity.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Outstanding audit recommendations form part of the Quarterly Performance Report considered by Cabinet. Since the last Committee meeting, 17 actions arising from audit reports have been implemented.

At the date of reporting, there are 45 open audit actions, 24 of which are overdue for implementation. Of these, three actions were due for implementation over three months ago, none of which were categorised as 'Essential' or 'High or Medium Priority'. See Appendix B for further details.

Table 1: Progressing the annual audit plan

KEY

Current status of assignments is shown by 

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Key Corporate Controls and Policies												
Creditors	14	0	●									Q4
Debtors	14	0	●									Q4
Payroll	15	0	●									Q4
Main Accounting	12	0	●									Q4
Local Taxation	15	0	●									Q3
Benefits	15	0	●									Q3
Contract Procedure Rules Compliance	10	0	●									Q4
Business Continuity Management and Emergency Plan	15	10.66				●						
Treasury Management	10	5.12			●							
Corporate Governance and Counter Fraud												
Cyber Security	12	0.2			●							
Risk Management	10	10.7						●	Substantial	Satisfactory	Minor	

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Fraud Risk Register	15	0	●									Q3
Council Tax Fraud and NDR Fraud	15	23.60					●		Substantial	Good	Minor	
Corporate Objective: Sustainable growth												
Waste Contract	18	1.84			●							
Affordable Housing – Monitoring	15	6.02					●					
Barleythorpe Business Centre	5	0	●									Q3
Corporate Objective: Safeguarding												
Safeguarding Children	15	0	●									Q4
Safer Recruitment	15	0.5			●							
Deputyships and Court of Protection	12	15.3						●	Substantial	Good	Minor	
Direct Payments	15	1.38			●							
Corporate Objective: Sound financial and workforce planning												
Castle Restoration	12	12.25					●					
Corporate Objective: Reaching our potential												
SEN (Consultancy)	8	5.9				●						
Other Assurances												
Grant Claims	7	3.12			●							

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Limited Assurance Reports – Follow up	10	0.17	●									Q4
Social Media Review	n/a	n/a					●		N/A			
Client Support (Committee support, training, client liaison, advice/assistance)	33	7.95										
Consortium Management	33	6.69										
TOTAL	370	110.4										

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Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended and no, or only minor, errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact

Level		Definition
Major	●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority		Impact & Timescale
Essential	●	Action is imperative to ensure that the objectives for the area under review are met.
Important	●	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Standard	●	Action recommended to enhance control or improve operational efficiency.

Appendix B: Implementation of Audit Recommendations

	Essential recommendations		Important recommendations		Standard recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	2	33%	8	53%	7	35%	17	41%
Actions due within last 3 months, but <u>not implemented</u>	4	67%	7	47%	10	50%	21	51%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	-	-	-	-	3	15%	3	7%
Totals	6	100%	15	100%	20	100%	41	100%

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Appendix C: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The three responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	0	1	2	0	0
Communication during Assignments	0	2	1	0	0
Quality of Reporting	0	2	1	0	0
Quality of Recommendations	0	1	2	0	0
Total	0	6	6	0	0

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Appendix D: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit & Risk Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the consortium's attention. As a consequence, the Audit & Risk Committee should be aware that the audit opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the consortium's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

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