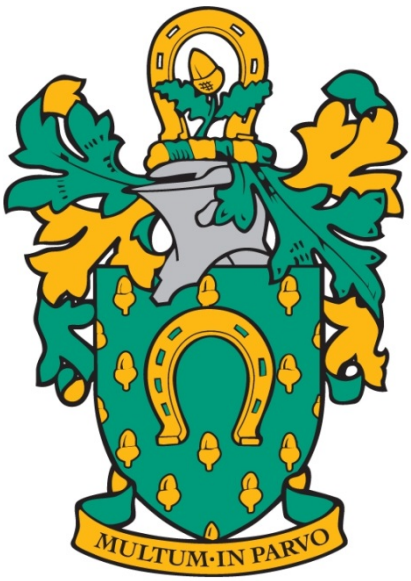
Report No. 157/2017
APPENDIX A



Rutland
County Council

Statement of Accounts

2016/17

`

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

The Assistant Director - Finance
Rutland County Council
Catmose House
Oakham
Rutland
LE15 6HP
email: Finance@rutland.gov.uk
Tel: 01572 722577
www.rutland.gov.uk

`

Rutland County Council
Statement of Accounts 2016/17

Contents **Page**

`

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

`

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

2. Council Performance

`

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

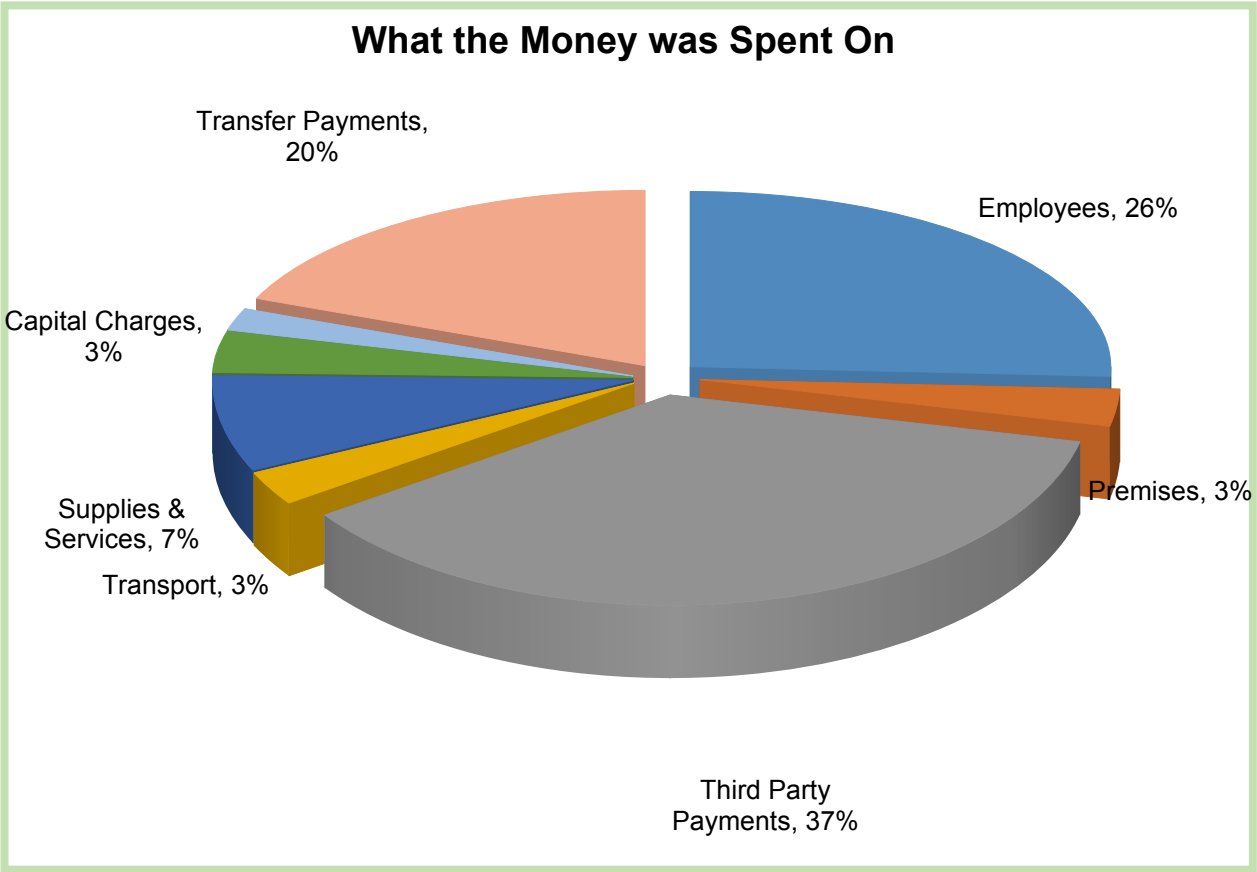
In overall terms, the Council has achieved a surplus of £0.326m compared to a current budget surplus of £0.775m. At the Net Cost of Services level the Council's outturn is £34.002m compared to the revised budget of £35.091m. This represents an under spend of £1.089m (circa 2.9%).

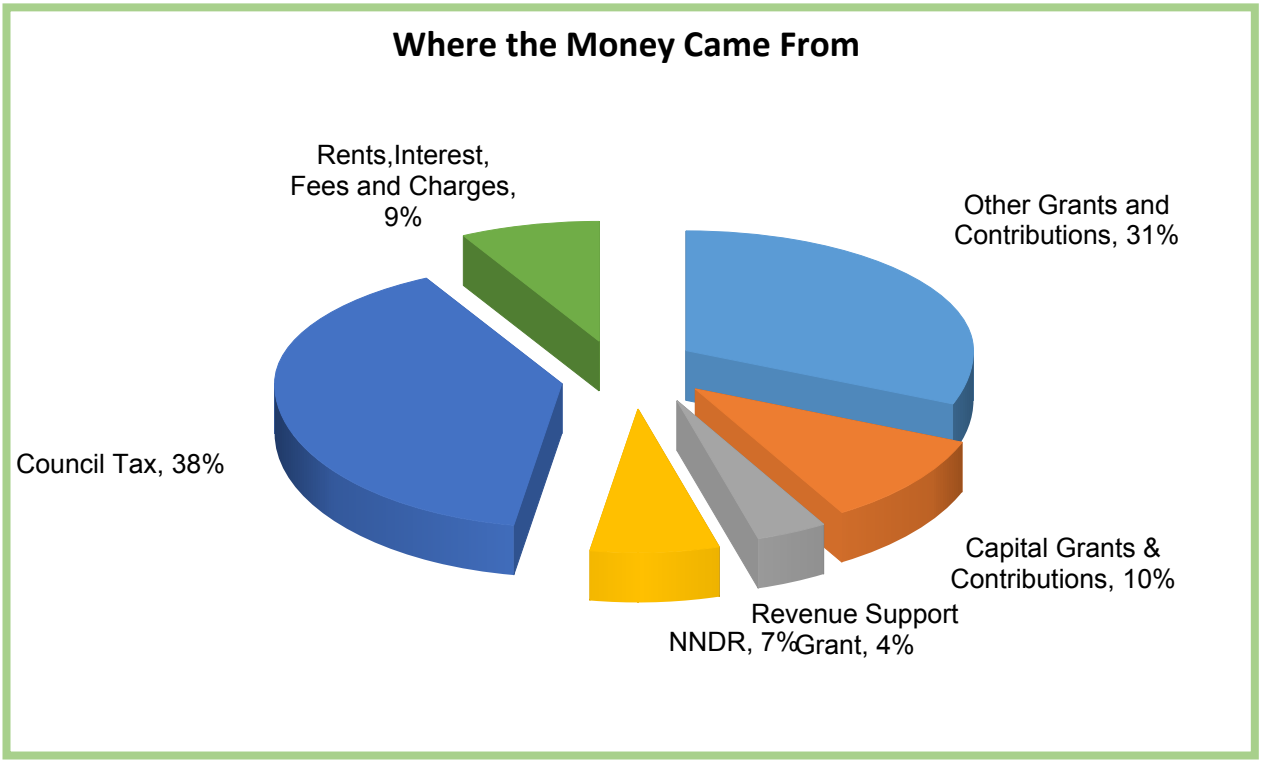
The reported surplus is broadly in line with what has been reported in previous quarters. At Net Cost of Service level the quarterly forecasts throughout the year have reduced each quarter reflecting the greater likelihood that some budgets would not be spent and would need to be carried forward or savings 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
Transfer Payments, 20%
Employees, 26%
Capital Charges, 3%
Premises, 3%
Supplies & Services, 7%
Transport, 3%
Third Party Payments, 37%


Where the Money Came From
Rents,Interest, Fees and Charges, 9%
Other Grants and Contributions, 31%
Council Tax, 38%
Capital Grants & Contributions, 10%
Revenue Support Grant, 4%
NNDR, 7%

`

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

`

Risk	Impact	Mitigation
		and key growth project (Oakham Enterprise Park).
Failure to deliver key services should a significant business interruption occur, including supplier failure	Breach of standard duty Failure to deliver key services Reputational damage	A Business Impact Assessment (BIA) has been carried out to determine which services are critical, how quickly they must be restored and the minimum resources required. A Major Incident Plan has been prepared which defines a structure to: Confirm the nature and extent of any incident; Take control of the situation; Contain the situation; and Communicate with shareholders Specific recovery plans are in place for the 5 key threats: Loss of key staff; Loss of telephone system; Loss of buildings; Loss of ICT; and Loss of utilities Business continuity documents have been uploaded to a secure website (Resilience Direct) to ensure they can be accessed from any site in the event of an incident. Contract procedure rules include the requirement for contract managers to consider the impact of contractor failure and mitigate the risks appropriately.
Failure to Safeguard (Adults) and an adult is significantly abused, badly hurt or dies.	Intensive scrutiny by public and press Potential external intervention Potential loss of frontline staff Potentially high legal costs Reputation damage Requirement to undertake and publish a serious case review	Processes and procedures in place to protect the most vulnerable. Scrutiny and overview from the Safeguarding Boards. Monthly performance and financial monitoring by senior officers and update reports to Cabinet. High quality, timely information contained within case files. High quality, timely management oversight by DASM. Ensuring we have sufficient expert and competent staff.

`

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

`

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

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					2016/17	
Gross Expenditure	**Gross Income**	***Net Expenditure***	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	*£000*			**£000**	**£000**	**£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**

`

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**
Surplus / (Deficit) on Provision of Services	(4,706)	-	-	-	**(4,706)**	-	**(4,706)**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	14,521	**14,521**
Total Comprehensive Income & Expenditure	**(4,706)**	**-**	**-**	**-**	**(4,706)**	**14,521**	**9,815**
Adjustments between accounting basis and funding basis under regulations (Note 13)	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**
Transfers to / (from) Reserves	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**
Surplus / (Deficit) on Provision of Services	1,254	-	-	-	**1,254**	-	**1,254**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	(5,317)	**(5,317)**
Total Comprehensive Income & Expenditure	**1,254**	**-**	**-**	**-**	**1,254**	**(5,317)**	**(4,063)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	(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)**
Transfers to / (from) Reserves	(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 £000	Balance Sheet	Notes	31 March 2017 £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 *(Salt Stocks)*		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

Net Expenditure Chargeable to the General Fund	*2015/16 Adjustments between Funding Basis and Accounting Basis*	*Net Expenditure in the CIES*	**Expenditure and Funding Analysis**	**Net Expenditure Chargeable to the General Fund**	**2016/17 Adjustments between Funding basis and Accounting Basis**	**Net Expenditure in the CIES**
£000	*£000*	*£000*		**£000**	**£000**	**£000**
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	***Net Change for Pension Adjustments***	***Other Differences***	***Total Adjustments***	**Adjustments from General to arrive at the CIES Amounts**	**Adjustments for Capital Purposes**	**Net Change for Pension Adjustments**	**Other Differences**	**Total Adjustments**
£000	***£000***	***£000***	***£000***		**£000**	**£000**	**£000**	**£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.

- 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

1. 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	Individual School Budget (ISB)	Total
	£000	£000	£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 *(note 7)*	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 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 Adjustment Account	82	10	92
(30,848)	Pension Fund Reserve	(30,848)	(6,919)	(37,767)
314	Collection Fund Adjustment Account	314	(150)	164
(208)	Accumulating Compensated Absences Adjustment Account	(208)	(71)	(279)
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	£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				
	General Fund Balance	Capital Receipts Reserve	S106/ Oakham North Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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	£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				
	General Fund Balance	Capital Receipts Reserve	S106/ Oakham North Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the 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	**Revaluation Reserve**	**2016/17**
£000		**£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	**Deferred Capital Receipts Reserve**	**2016/17**
£000		**£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 Receipt 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	**Financial Instruments Adjustment Account**	**2016/17**
£000		**£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	**Capital Adjustment Account**	**2016/17**
£000		**£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)**
		Loans & Receivables		
-	*21,065*	Short Term Investments	-	26,101
417	*6,359*	Debtors	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	*Fair Value*		Carrying Amount	Fair Value
£000	*£000*		£000	£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**
		Money Market Loans > 1 Year		
19,000	*19,088*	- Fixed Term Deposits	26,000	26,124
3,594	*3,594*	- Money Market Funds	691	691
2,000	*2,002*	- Notice Accounts	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	Infrastr-ucture £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	Infrastr-ucture £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	**Cash & Cash Equivalents**	**2016/17**
£000		**£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 £000	Reconciliation of the Fair Value of the Scheme Assets	2016/17 £000
55,226	Opening fair value of Scheme Assets	55,801
1,770	Interest Income	1,954
	Re-measurement gain/(loss)	
(1,359)	Return on plan assets, excluding the amount included in the net interest expense	8,845
-	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 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2016/17 £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		**Trust Funds**	**2016/17**
£000			**£000**
6	Income		6
(10)	Expenditure		(6)
189	Assets		212

`

- Liabilities	-

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 Total £000	Collection Fund	2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total £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 disclosure 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 discounted 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 there 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 pervious 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 Councils 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.

Service Name	Lead Authority Name
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

`

Service Name	Lead Authority Name
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 n 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 Councils 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: _____	Signed: _____
Helen Briggs, Chief Executive	Tony Mathias, Leader of the Council
Date: _____	Date:: _____