Rutland County Council

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Statement of Accounts

2015/16

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Rutland County Council
Statement of Accounts 2015/16

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Narrative Report

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

I have prepared this Narrative Report to provide an easily understandable guide to the most significant matters reported in Rutland County Council's Statement of Accounts for the year ended 31st March 2016. 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 2015/16;
   b. Key Events affecting the Council in 2015/16 and a look ahead to future years;
   c. Review of financial performance in 2015/16;
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 as the third best rural place to live in Britain in the annual Halifax Rural Areas Quality of Life Survey in February 2016.

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 17 Conservative Councillors, 2 Liberal Democrat, 7 Councillors who are independent or not members of the above parties. The Council has adopted the Leader and Cabinet model and for 2015/16 Cabinet comprised 6 Conservative members with responsibility for the following Portfolio areas:

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1. Culture
2. Places (Development and Economy) and Resources
3. Safeguarding Children and Young People
4. Health and Adult Social Care
5. Places (Environment, Planning and Transport)
6. Lifelong Learning

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'Neil – Director for People
3. Mark Andrews – Assistant Director for People
4. Debbie Mogg –Director for Resources
5. Saverio Della Rocca – Assistant Director of 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 six Strategic Aims, that are underpinned by the Corporate and Council Priority of Delivering Council Services within our Medium Term Financial Plan. The table below identifies the Strategic Aims and the Objectives required to meet these.

Strategic Aim	Objectives
Creating a safer community for all	***Anti Social Behaviour*** ⇒ Managing Perceptions ⇒ Tackling low level Anti-Social Behaviour ***Community Safety*** ⇒ Improved Road Safety
Creating an active and enriched community	***Tourism/Market Towns*** ⇒ Working with partners to encourage sustainable employment ⇒ Night-time economy - managing development ⇒ Linking our Towns and Rutland Water ***Active Rutland*** ⇒ Adequate and affordable health and fitness opportunities including the supporting infrastructure ⇒ Improved access to our countryside through cycling and walking
Creating a sustained environment	***Waste*** ⇒ A continued focus on reducing waste going to landfill ***Development*** ⇒ Improved design linked to affordability, sustainability and the character of the County ⇒ Ensuring the impact of development is managed ***Landscape and Heritage*** ⇒ Respecting the County's landscape and heritage
Building our Infrastructure	***Employment*** ⇒ Supporting growth in particular with Small and Medium Enterprises ***Development*** ⇒ Retail and Leisure – more choice, capacity, affordability ⇒ Housing - more affordable, greater choice of tenure in mixed sustainable communities ⇒ Oakham regeneration ***Transport*** ⇒ Improved transport supporting employment

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	⇒ Affordable, adequate provision, which is accessible and practical
Meeting the health and wellbeing needs of the community	***Health*** ⇒ Encouraging people to stay healthy ⇒ Supporting accessible, local healthcare ***Wellbeing*** ⇒ Supporting our growing older population ⇒ Supporting those within our community with complex needs ⇒ Providing support to those at risk of being homeless ⇒ Housing and facilities for those with specific needs ⇒ Responding to changes in the benefits system
Creating a brighter future for all	***Families*** ⇒ Supporting families with problems ***Learning & Schools*** ⇒ Ensuring adequate school places ⇒ Support Local Authority funded schools ***Learning linked to employment*** ⇒ Raise the profile, availability and take up of vocational training and apprenticeships

2. Council Performance

The Council regularly produces reports to Cabinet on performance against the Council's six 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 17 May 2016 concerning performance to the 31 March 2016. The link to the report is below.

http://rutlandcounty.moderngov.co.uk/documents/s5874/Report%20No%20104-2016%20Q4%20Performance%20Report%202015-16.pdf

3. Financial Performance

a) Key Issues that have influenced the Financial Position for 2015/16

The local government finance settlement set out details of the funding position for the Council where a proportion of business rates collected are retained locally and supplemented by Revenue Support Grant (RSG) and some specific grants. The key outcomes of the settlement were:

- The Council's allocation for 2015/16 for Revenue Support Grant was c£4.090 million (a reduction of £1.289m from 2014/15) and the Business rate baseline was £4.042million;

- The Council pays a tariff out of its share of the business rates collected of £0.789m and a levy on any growth in business rate income above the baseline of 16.34% for 2015/16. 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 2015/16. This was then adjusted for known changes e.g. demand led service pressures, the introduction of the Better Care Fund (BCF) and new responsibilities under the Care Act. Key features of the budget of £33.5m were as follows:

- The full BCF revenue allocation of c£2m was included in 2015/16;

- The Care Act resulted in new pressures of c£421k albeit offset by £330k of funding;

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- The national pay award of 2.2% is included in the 15/16 budget; and
- The Council has identified savings of £786k in year.

The Medium Term Financial Plan (MTFP) for 2015/16 to 2019/20 was approved by Full Council on 23 February 2015. Over the period it assumed a continuation of the existing services with allowances for service pressures, inflation and planned savings for 2015/16 and beyond all built in. Beyond 2015/16, it was estimated that RSG would continue to reduce by at least 25% per annum, council tax would increase by 2% per annum and business rate growth would be minimal. The council tax freeze grant was taken again in 2015/16. 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 2015/16 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 2015/16 was approved by Full Council on 23 February 2015. 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 points to note in relation to the impact on revenue balances for 2015/16 was that the security of capital and the liquidity of its investments were the priority over the return achievable, and that as a result of this, investments were restricted to short term. Secondly because of the economic climate interest rates remained at historically low levels. These two factors combined have resulted in lower levels of interest being earned than in previous years.

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 decreased from £42.0 million to £30.8m in the year to 31 March 2016. 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 £0.6 million during the year, at the same time liabilities have reduced by £10.6 million.

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

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b) Key Events affecting the Council in 2015/16 and a look ahead to future years

Compared to 2014/15, 2015/16 was a year of relative stability although not without its challenges.

In the early part of the year the Council ran the Parliamentary, County Council and Parish Council elections. This involved significant planning and organisation and involved the vast majority of Council staff.

The Council undertook a "PeopleFirst" review (a root and branch review of the People Directorate) in 2014/15. In 2015/16, officers set about implementing aspects of the review culminating in the delivery of year 1 savings of £399k from service reviews, a management restructure and different use of public health funding. The savings programme continues into 2016/17 with commissioning a key area for review.

The Council is a key partner in the Better Care Together (BCT) programme. This programme of work will transform the health and social care system in Leicester, Leicestershire and Rutland (LLR) by 2019. BCT brings together partners in Health and Local Government, including the Council, to ensure that services change to meet the needs of local people. The programme is also working closely with public and patient involvement (PPI) representatives to develop plans for change.

Part of the BCT strategy is to 'left shift' activity from secondary to primary care. Over 15/16 Council officers have been working with BCT colleagues to assess the impact on Adult Social Care (ASC) of planned changes across a range of work streams e.g. planned care, urgent care, learning disability etc. Meetings have been held where Local Authority partners have the opportunity to assess any capacity and financial impacts to their ASC responsibilities as a result of the programme and to assess whether they are able to deliver any proposed changes. This work continues into 16/17.

Alongside its BCT work, the Council hosts the Better Care Fund pooled budget totalling c£2m. This budget has been used to fund various projects designed to promote and support independence, reduce hospital and residential care admissions and increase the effectiveness of reablement and other care services.

The 2015/16 Better Care Fund programme continues to progress well overall, with most of the schemes making good progress and contributing towards achievement of the anticipated impacts. Proactive governance continues and the Partnership Board is continuing to effectively manage the S75 pooled budget agreement. The programme is amber rated currently as there are some areas needing close management to sustain performance and because the underlying emergency admissions and falls statistics are challenging, in spite of the contribution made to date by programme activities. That said, performance is very good currently in terms of residential admission levels and reablement helping people to stay at home after hospital.

The requirements and principles of the Care Act, introduced in April 2015, are now embedded into the adult social care teams practice as 'business as usual'. The Council is providing social care for those in need at HMP Stocken, is delivering support to carers and providing a wider range of information and advice via the Rutland Information Service.

Universal Credit was rolled out to Rutland from 5th October 2015. This single benefit replaced 6 benefits, including housing benefits paid by local authorities. This change is being gradually introduced so the roll out from October was for a limited category of claimants. The Council is a delivery partner to the Department for Work and Pensions (DWP) and its role to help claimants submit a claim and provide budget advice where it is needed. The numbers of residents on Universal Credit is minimal but this is likely to change when the roll out is extended to other categories of housing benefit claimants.

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Work on the Digital Rutland project continued. This was a long planned for introduction of high-speed broadband across the county. This is a major capital project, which is being jointly funded by the central government body, BDUK. Phase 1 of the Digital Rutland project has completed to provide fibre infrastructure to 9416 premises. Rutland has seen the highest take up rate in the country for these new fibre based services. Phase 2 detailed planning and surveys are now underway to bring about an increased speed to circa 900 premises within the project intervention area. Deployment of this second phase is expected over the summer of 2016.

The Council continues to develop Oakham Enterprise Park (OEP). The site is attracting extra visitors into the county, some of whom, e.g. TV & film production crews, bring significant business to our hotels, bars and eateries. Tenancy across the site has increased to 95.74% (86 units, totalling 91,376 sqft or 94.7% of floor space) now let or with leases being progressed. There is firm interest in a further 2% (2 units, 1,897sqft or 2% floor space). OEP is delivering significant benefits to the Council in the form of a revenue surplus which contributes to reducing net costs, additional income from business rates and new jobs. The success of OEP has been recognised as the Council was one of seven nominees shortlisted for 'Entrepreneurial Council of the Year 2016' through the Local Government Chronicle Awards recognising success in local government.

The Council was also successful in bidding for a £500k grant from Sport England to convert the former Ashwell prison gym into a sports Hub. The gym has been completely refurbished and now boasts a three-court sports hall, multi-purpose studio and an artificial outdoor turf pitch. The Active Rutland Hub offers sports clubs, community organisations, educational establishments and other recreation groups a base for training sessions, classes and competitions and was officially opened by the Princess Royal on 20th July 2015.

The Council was successful in 2014/15 applying for a £2 million grant from the Heritage Lottery Fund (HLF). Oakham Castle has been awarded the money that will be used to carry out extensive restoration work, introduce a new and exciting events programme, as well as provide opportunity to host re-enactments and living history. Consultants have been appointed and final design work is underway. A revised programme has been agreed by HLF and Project Board and work is currently ongoing with the Castle reopened in May 2016.

All of these projects were delivered against a backdrop of staff turnover in key senior positions. The Council has employed a number of interims in key service areas such as IT, Audit, Adult Social Care and Children’s Services whilst it determines how best to structure service delivery moving forward.

The Council’s Medium Term Financial Plan (MTFP) and budget 2016/17 were approved in February 2016 by Full Council. The key message in relation to the MTFP was that the national economic position remains extremely challenging and the first local government settlement of the new parliament has had a significant impact on the amount of government funding the Council can expect to receive in the future. Against a backdrop of significant reductions in funding, the Council has assumed 4% increases in council tax over the life of the MTFP.

The Council remains in a strong position to deal with the financial challenge to reduce net costs by c£2m over the next 4 years. There are still lots of unknowns and uncertainty in respect of the impact of demographic changes, cost pressures arising from the impact of the Living Wage and future funding.

Following the result of the referendum there has been much speculation about the impact for the UK and local authorities. The Council is in dialogue with its advisors – KPMG LLP, LG Futures and Capita – 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.

The Council was offered a 4-year funding settlement subject to exceptional circumstances. There has been no statement as to whether Brexit will alter the terms of this offer. The Chancellor has

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announced that there will be no emergency budget but has also stated that his plan of returning the UK into surplus by the end of this Parliament has been shelved. With the new Prime Minister appointed and a new Cabinet, the Autumn Statement will be critical for local authorities to understand what the impact on funding might be. At this stage, the Council assumes that the Government will want to honour the 4 year settlement offer.

Towards the end of 2014/15 the council identified that an amount totalling £6.68m based on owed to the council from a section 106 agreement would no longer be received from the developer due to an error made by the Council. .The council has negotiated with the developer to agree an amount that would be paid in lieu of the £6.68m. The negotiated amount was £4.8m. The loss of £1.88m can be contained within the existing financial plans.

The Treasury Management Strategy 2016/17 was approved by Full Council on 22 February 2016. Again, as with 2015/16, the Strategy complies 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 sets out the treasury strategy for borrowing and the annual investment strategy. The key changes from the prior year relate to the Council wanting to explore a wider range of investments including property funds.

c) Review of Financial Performance in 2015/16

In February 2015 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 £0.469m compared to a current budget deficit of £0.656m. At the Net Cost of Services level the Council's outturn is £32.624m compared to the revised budget of £34.492m. This represents an under spend of £1.868m (circa 5.4%).

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 2016/17.

The MTFP as reported to Cabinet in February set out a Net Cost of Service budget for 2016/17 of £33.993m.

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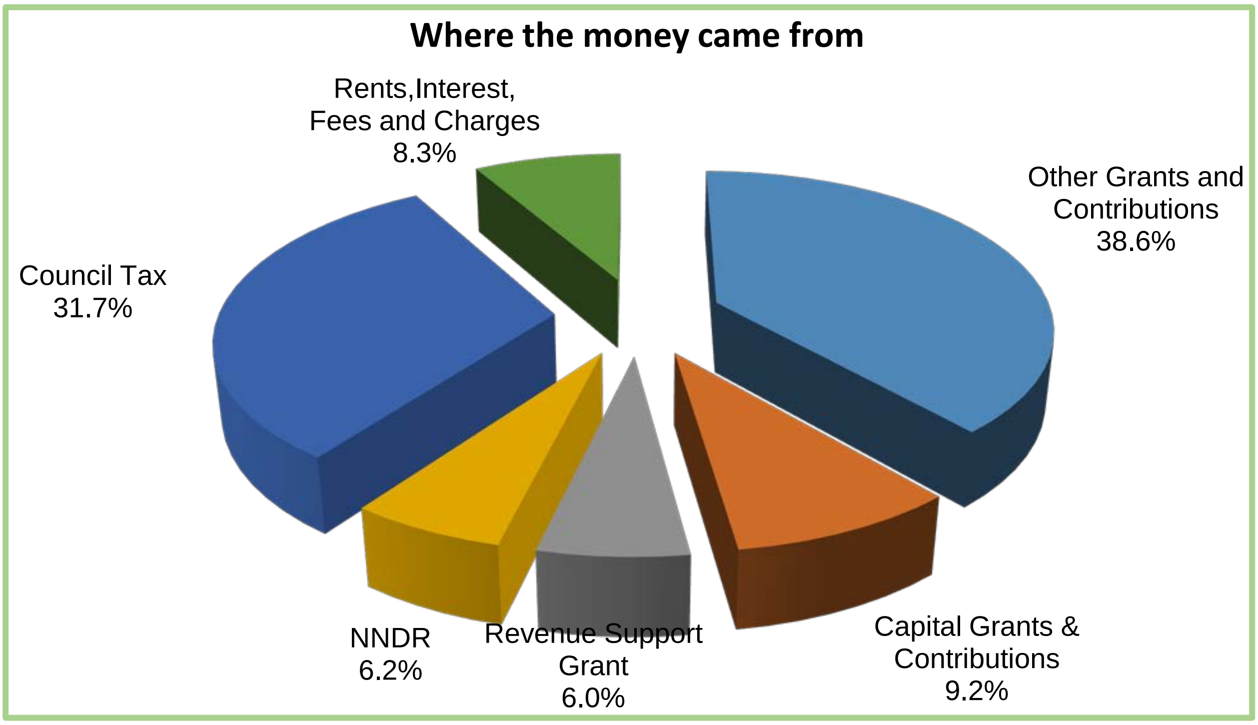
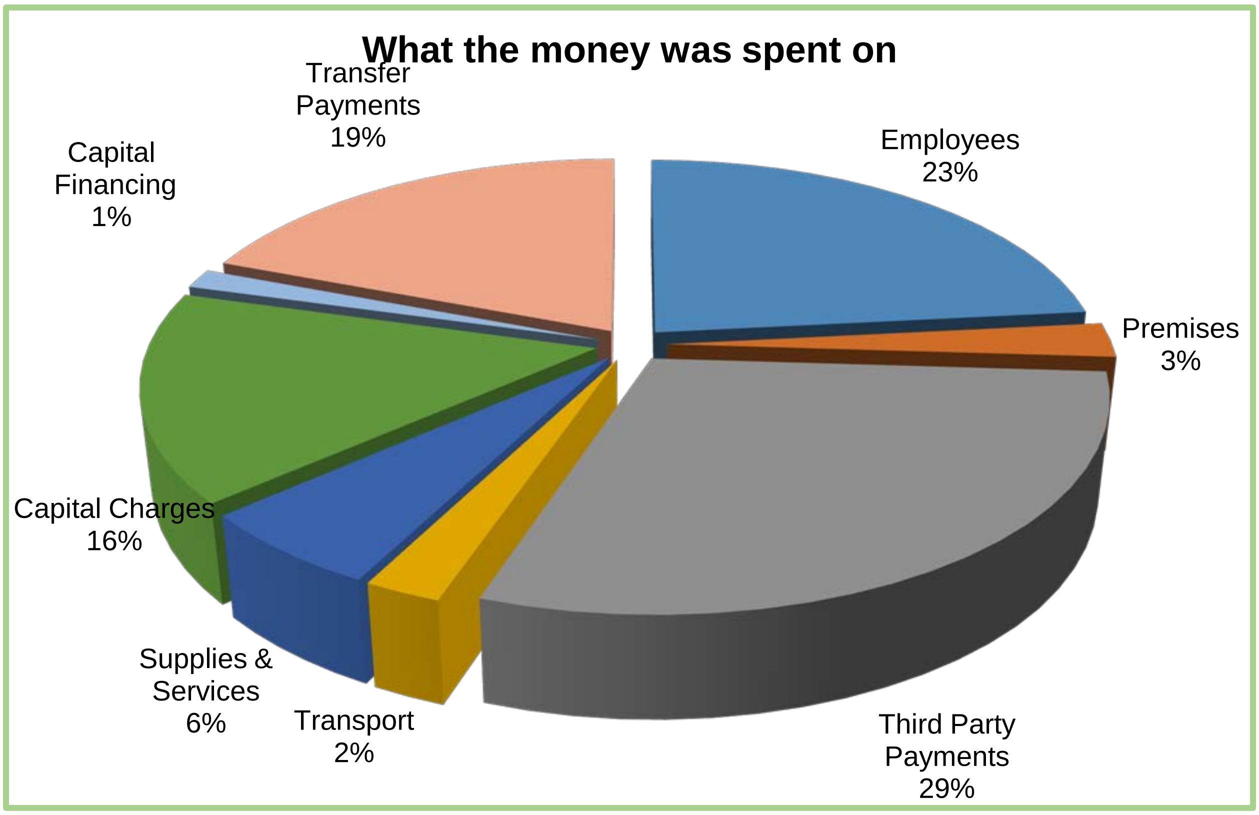
The following charts outline where the Council's revenue money came from, how it was spent and on which services during 2015/16.





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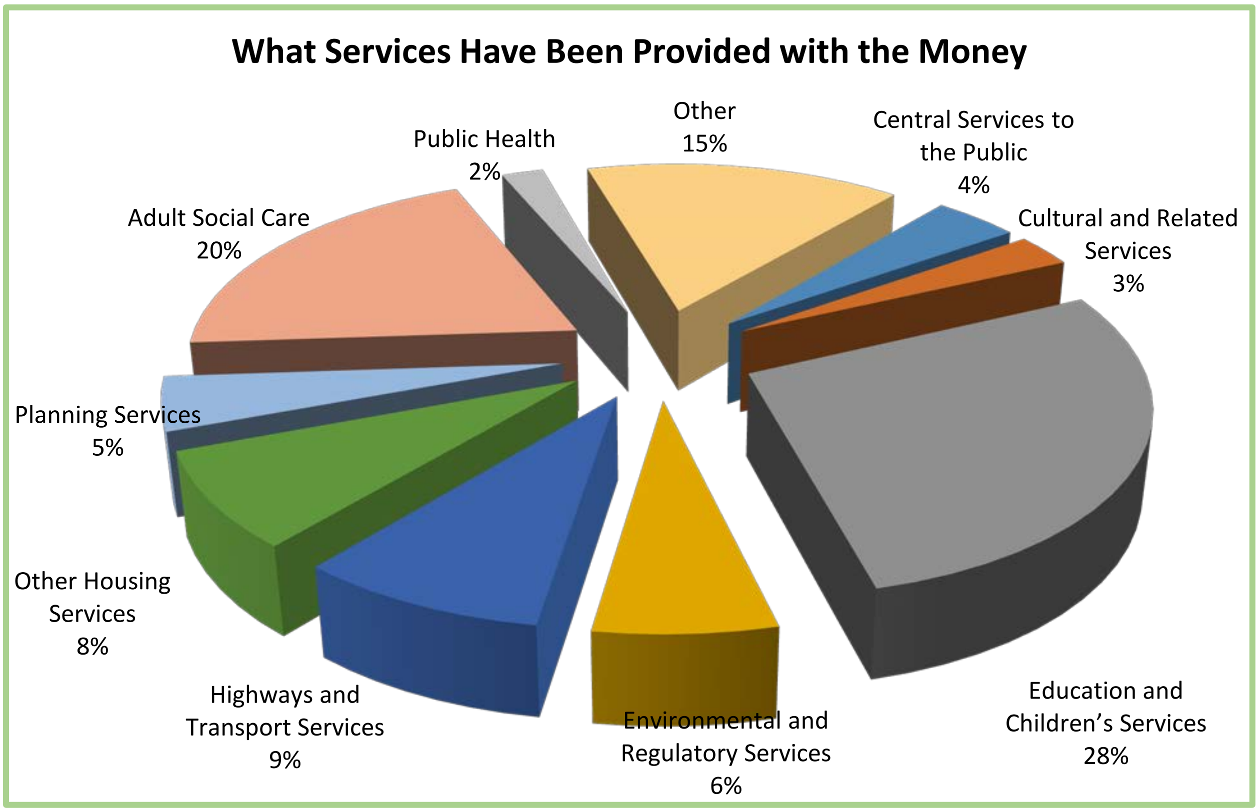

General Fund Revenue Account

The following table summarises the position for the General Fund for 2015/16. The outturn presents a better position than that originally envisaged for two key reasons – net cost of services expenditure was less than anticipated in some areas and transfers from reserves was less than anticipated.

General Fund	**Revised Budget £000**	**Outturn £000**	**Variance £000**
Net cost of Services	34,492	32,624	(1,868)
Other Operating costs	1,904	1,643	(261)
Net Operating Expenditure	**36,396**	**34,267**	**(2,129)**
Financing	(35,740)	(34,736)	1,004
(Surplus)/Deficit for year	**656**	**(469)**	**(1,125)**

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 £5.176m, compared to the approved capital project budget of £8.019m (i.e. 65% of the approved programme was actually spent) with £0.364m declared as an underspend, and the remaining balance being carried forward for completion in 2016/17.

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Expenditure was funded from external grants and contributions (£4.682m), borrowing (£0.249m) and the remainder (£0.244m) from revenue contributions.

Capital Expenditure	**Revised Budget £000**	**Outturn £000**	**Variance £000**
People	918	502	(416)
Places	7,101	4,674	(2,427)
Total Capital Expenditure	**8,019**	**5,176**	**(2,843)**

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 2016, and satisfied all assurance requirements. Below are our top risks from the Council's comprehensive risk register.

Risk	**Impact**	**Mitigation**
Failure to recruit and retain sufficient skilled staff to ensure safe and effective service delivery	Increased cost of recruiting interims to cover vacancies Failure to deliver services Poor staff morale	Specific recruitment plans in place for teams experiencing difficulties with recruitment. Innovative approaches being taken. Maximum alignment to national terms and conditions Workforce Development Strategy approved in January 2016. Part of regional and national pay networks
The Council cannot meet its statutory requirement to produce a robust and balanced budget now or in the medium term	Breach of statutory requirement Erosion of reserves below recommended levels Drastic action needed to rectify the positions e.g. cuts	Lobbying of Government (done individually and with LGA/SPARSE) Key savings programmes monitored by Directorate team, SMT and through quarterly monitoring Maintenance of a 5-year MTFP with funding and other risks detailed in Budget and Quarterly reports
Failure to Safeguard vulnerable Adults and Children	Reputation damage Potential loss of frontline staff Potential external intervention Potentially high legal costs	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. 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.

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Risk	Impact	Mitigation
		Development of clear practice standards so staff know what is expected of them. Effective Staff training
Failure to secure delivery of change required within Health & Social Care	Ineffective service delivery and on-going cost pressure and impact on MTFP	Risk highlighted and an allowance made within our MTFP Better Care Fund (BCF) evolving and initial outcomes are positive Playing a key role in the Leicester Leicestershire Rutland (LLR) Better Care Together Project Working directly with East Leicestershire and Rutland Care Commissioning Group (ELRCCG) to achieve improved care pathways and focus on 'Left Shift' and its impact Focussing on early intervention and prevention – evidence from BCF outcomes is strong in most areas Adult Social Care strategy is now at the consultation stage New commissioning framework being developed

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

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Independent Auditor’s Report

Insert upon conclusion of audit

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 D MacDuff
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 15 to 72 presents a true and fair view of the financial position of the Council at 31st March 2016 and its income and expenditure for the year ended 31 March 2016.

S. Della Rocca

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

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Comprehensive Income and Expenditure Statement (CIES)

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

2014/15 Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Comprehensive Income & Expenditure Statement (CIES)	Notes	**2015/16** Gross Expenditure £000	Gross Income £000	Net Expenditure £000
12,330	(3,272)	9,058	Adult Social Care		14,294	(3,091)	11,203
1,689	(997)	692	Central Services		2,996	(1,022)	1,974
20,421	(12,623)	7,798	Education & Children's Services		20,318	(11,338)	8,980
2,323	(502)	1,821	Cultural & Related Services		2,063	(627)	1,436
4,293	(316)	3,977	Environmental & Regulatory Services		4,541	(333)	4,208
6,388	(1,342)	5,046	Highway & Transport Services		6,268	(848)	5,420
6,420	(6,253)	167	Housing Services		5,948	(5,805)	143
3,009	(925)	2,084	Planning Services		3,344	(1,347)	1,997
916	(1,124)	(208)	Public Health		1,466	(1,195)	271
57,789	**(27,354)**	**30,435**	**Cost of Services**		**61,238**	**(25,606)**	**35,632**
7,881	-	7,881	Other Operating Expenditure	9	8,663	(1,523)	7,140
2,521	(154)	2,367	Financing & Investment Income & Expenditure	10	2,397	(254)	2,143
-	(37,741)	(37,741)	Taxation & Non-Specific Grant Income	11	125	(40,334)	(40,209)
68,191	**(65,249)**	**2,942**	**(Surplus) / Deficit on Provision of Services**		**72,423**	**(67,717)**	**4,706**
		(5,167)	Surplus on Revaluation of Non-Current Assets				(1,394)
		6,267	Actuarial (Gains) / Losses on pension Assets / Liabilities				(13,127)
		1,100	**Other Comprehensive Income & Expenditure**				**(14,521)**
		4,042	**Total Comprehensive Income & Expenditure**				**(9,815)**

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 15. 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 2014/15 and 2015/16	**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 2014	**8,062**	**5,790**	**-**	**4,468**	**18,320**	**17,549**	**35,869**
Surplus / (Deficit) on Provision of Services	(2,942)	-	-	-	(2,942)	-	**(2,942)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	(1,100)	**(1,100)**
Total Comprehensive Income & Expenditure	**(2,942)**	**-**	**-**	**-**	**(2,942)**	**(1,100)**	**(4,042)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	6,737	(203)	-	(720)	5,814	(5,814)	-
Net Increase/(Decrease) before transfers to or from Earmarked Reserves	3,795	(203)	-	(720)	2,872	(6,914)	(4,042)
Transfers to or from Earmarked Reserves	(2,182)	2,182	-	-	-	-	**-**
Increase/(Decrease) in 2014/15	**1,613**	**1,979**	**-**	**(720)**	**2,872**	**(6,914)**	**(4,042)**
Balance at 31 March 2015	**9,675**	**7,769**	**-**	**3,748**	**21,192**	**10,635**	**31,827**
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**

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Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 16, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000	**Balance Sheet**	**Notes**	**31 March 2016 £000**
74,595	Property, Plant & Equipment	17	70,047
-	Long Term Investments	15	0
135	Long Term Debtors	22	423
74,730	**Long Term Assets**		**70,470**
1,723	Assets Held for Sale	23	0
71	Inventories *(Salt Stocks)*		92
14,025	Short Term Investments	15	21,065
5,086	Short Term Debtors	22	4,530
5,972	Cash & Cash Equivalents	29	4,930
26,877	**Current Assets**		**30,617**
(5,589)	Short Term Creditors	24	(6,415)
(305)	Provisions	25	(247)
(5,894)	**Current Liabilities**		**(6,662)**
(21,923)	Long Term Borrowing	15	(21,935)
(41,964)	Other Long Term Liabilities	31	(30,848)
(63,887)	**Long Term Liabilities**		**(52,783)**
31,826	**Net Assets**		**41,642**
(21,192)	Usable Reserves	13	(24,206)
(10,634)	Unusable Reserves	13	(17,436)
(31,826)	**Total Reserves**		**(41,642)**

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Cash Flow Statement

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

31 March 2015	**Cash Flow Statement**	**Notes**	**31 March 2016**
£000			**£000**
2,942	Net (Surplus)/Deficit on the Provision of Services		4,705
(11,347)	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(14,520)
3,009	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,455
(5,396)	**Net Cash Flow from Operating Activities**	26	**(5,360)**
10,980	Investing Activities	27	6,044
(23)	Financing Activities	28	358
5,561	**Net (increase) or decrease in cash and cash equivalents**		**1,042**
(11,533)	Cash and cash equivalents at the beginning of the reporting period	29	(5,972)
(5,972)	**Cash and cash equivalents at the end of the reporting period**	29	**(4,930)**

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Notes to the Accounts

1. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice. However, the Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet at a directorate service level (based on its organisational structure). These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the CIES)
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income & Expenditure 2015/16	Resources £000	Places £000	People £000	Total £000
Fees, charges & other service income	(762)	(3,555)	(2,982)	(7,299)
Government Grants	(5,759)	(288)	(11,844)	(17,891)
Total Income	**(6,521)**	**(3,843)**	**(14,826)**	**(25,190)**
Employee expenses	2,736	3,441	5,364	11,541
Other service expenses	8,968	10,942	24,508	44,418
Depreciation & Support Services Recharges	(17)	1,363	509	1,855
Total Expenditure	**11,687**	**15,746**	**30,381**	**57,814**
Net Expenditure	**5,166**	**11,903**	**15,555**	**32,624**

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	
Net Expenditure in Portfolio Analysis	32,624
Amounts in the CIES not reported to management in the analysis	3,060
Amounts Included in the Analysis not Included in the CIES	(52)
Cost of Services in Comprehensive Income and Expenditure Statement	**35,632**

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Portfolio Income & Expenditure 2014/15	Resources	Places	People	Total
	£000	£000	£000	£000
Fees, charges & other service income	(1,008)	(2,816)	(3,458)	(7,282)
Government Grants	(5,891)	(962)	(2,301)	(9,154)
Total Income	(6,899)	(3,778)	(5,759)	(16,436)
Employee expenses	3,105	3,474	6,814	13,393
Other service expenses	8,674	10,558	12,610	31,842
Depreciation & Support Services Recharges	16	1,366	508	1,890
Total Expenditure	11,795	15,398	19,932	47,125
Net Expenditure	4,896	11,620	14,173	30,689

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	
Net Expenditure in Portfolio Analysis	30,689
Amounts in the CIES not reported to management in the analysis	(209)
Amounts Included in the Analysis not Included in the CIES	(45)
Cost of Services in Comprehensive Income and Expenditure Statement	30,435

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or deficit on the Provision of Services included in the CIES.

Subjective Analysis 2015/16	Service Analysis	Not Reported to Management	Amounts not included in CIES	Net Cost of Services	Corporate Amount	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(7,299)	-	-	(7,299)	(2,620)	(9,919)
Interest & investment income	-	-	-	-	(254)	(254)
Income from Council Tax	-	-	-	-	(21,445)	(21,445)
Income from Retained Business Rates	-	-	-	-	(4,198)	(4,198)
Government Grants	(17,891)	(802)	-	(18,693)	(11,946)	(30,639)
Total Income	**(25,190)**	**(802)**	**-**	**(25,992)**	**(40,463)**	**(66,455)**
Employee expenses	11,541	615	-	12,156	-	12,156
Other service expenses	44,418	1,587	-	46,005	-	46,005
Depreciation, amortization and impairment	1,855	1,660	-	3,515	-	3,515
Interest Payments	-	-	-	0	2,398	2,398
Loss on Disposal of Non-Current Assets	-	-	-	0	6,526	6,526
Precepts & Levies	-	-	(52)	(52)	613	561
Total Operating Expenses	**57,814**	**3,862**	**(52)**	**61,624**	**9,537**	**71,161**
(Surplus)/Deficit on the Provision of Services	**32,624**	**3,060**	**(52)**	**35,632**	**(30,926)**	**4,706**

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Subjective Analysis 2014/15	Service Analysis	Not Reported to Management	Amounts not included in CIES	Net Cost of Services	Corporate Amount	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(7,282)	(13)	-	(7,295)	(1,362)	(8,657)
Interest & investment income	-	-	-	0	(154)	(154)
Income from Council Tax	-	-	-	0	(21,038)	(21,038)
Income from Retained Business Rates	-	-	-	0	(4,029)	(4,029)
Government Grants	(9,154)	(11,081)	-	(20,235)	(11,312)	(31,547)
Total Income	**(16,436)**	**(11,094)**	**0**	**(27,530)**	**(37,895)**	**(65,425)**
Employee expenses	13,393	(169)	-	13,224	1,476	14,700
Other service expenses	31,797	10,946	-	42,743	-	42,743
Depreciation, amortization and impairment	1,890	108	-	1,998	-	1,998
Interest Payments	-	-	-	0	1,045	1,045
Loss on Disposal of Non-Current Assets	-	-	-	0	7,286	7,286
Precepts & Levies	45	-	(45)	0	595	595
Total Operating Expenses	**47,125**	**10,885**	**(45)**	**57,965**	**10,402**	**68,367**
(Surplus)/Deficit on the Provision of Services	**30,689**	**(209)**	**(45)**	**30,435**	**(27,493)**	**2,942**

2. Members Allowances

The following amounts were paid to members of the Council.

2014/15	**Members Allowances**	**2015/16**
£000		**£000**
96	Basic allowances	96
75	Special responsibility allowances	72
17	Expenses	13
188	**Members allowances**	**181**

3. Related Parties

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

Central Government

Central Government has effective control over the general operations of the authority; it is responsible for providing the statutory framework within which the authority operates, provides the some 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 2016 are shown in Note 12.

Members of the Council

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Members of the Council have direct control over the authority's financial and operating policies. The total of Members allowances paid in 2015/16 is shown in Note 3. During 2015/16, 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.

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 2015/16 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	2015/16	116,981	-	1,523	23,045	*141,549*
	2014/15	116,981	-	1,581	21,875	*140,437*
Director of Peoples (1)	2015/16	100,000	-	1,546	19,700	*121,246*
	2014/15	56,389	86,888	502	10,545	*154,324*
Director of Places (2) (Development & Economy)	2015/16	71,750	-	241	14,135	*86,126*
	2014/15	65,917	-	20	12,326	*78,263*
Director of Places (Environment, Planning & Transport)	2015/16	71,750	-	230	14,135	*86,115*
	2014/15	70,000	-	166	13,090	*83,256*
Director of Resources	2015/16	82,000	-	455	16,154	*98,609*
	2014/15	80,000	-	744	14,960	*95,704*
Assistant Director (Finance)	2015/16	66,625	-	448	13,125	*80,198*
	2014/15	65,000	-	492	12,155	*77,647*
Director of Public Health (3)	2015/16	-	17,852	-	-	17,852
	2014/15	-	19,245	-	-	19,245
Total	**2015/16**	**509,106**	**17,852**	**4,443**	**100,294**	**631,695**
	2014/15	454,287	106,133	3,505	84,951	648,876

1. The Director of Peoples was staffed by an agency person from April 2014 to September 2014 and then a Director was appointed for the remainder of the year.
2. The Director of Places (Development & Economy) was appointed on 22 April 2014.
3. 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 overleaf

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2014/15 Number of Employees	**Remuneration Bands**	**2015/16 Number of Employees**
3	£50,000 - £54,999	1
-	£55,000 - £59,999	1
2	£60,000 - £64,999	1
1	£65,000 - £69,999	-
-	£70,000 - £74,999	1

5. Termination Benefits

The authority terminated the contracts of 2 employees in 2015/16 incurring liabilities of £4,147 (2014/15 7 totalling £74,500). 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 2015/16, amounting to £1,000 (3 totalling £12,400 2014/15)

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.

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

7. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2015/16 and for the previous financial year, 2014/15 follows:

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			(9,193)
Brought Forward from 2015/16			(564)
Agreed initial budgeted distribution in 2015/16	(3,417)	(6,340)	(9,757)
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)**

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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 2014/15 before Academy Recoupment			(26,291)
Academy Figure Recouped for 2014/15			15,840
Total DSG after Academy recoupment for 2014/15			(10,451)
Brought Forward from 2013/14			(269)
Agreed initial budgeted distribution in 2014/15	(3,181)	(7,539)	(10,720)
In year Adjustments	-	(48)	(48)
Final budgeted distribution 2014/15	(3,181)	(7,587)	(10,768)
Less actual central expenditure	2,159	-	2,159
Less actual ISB deployed to schools	-	8,046	8,046
Carry forward to 2015/16	**(1,022)**	**458**	**(564)**

8. Pooled Funds

Under the terms of a Section 75 Agreement (Health Act 2006), the authority's social services department has entered into a pooled budget arrangement for the supply of aids for daily living with Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering the area. Leicester City Council acts as the host authority. The total income to the pool for 2015/16 was £6.47 million (£8.20 million 2014/15) of which Rutland County Council contributed £0.09 million (£0.09 million 2014/15). Total expenditure from the pool was £6.47 million (£8.11 million 2014/15).

Better Care Fund (BCF) – Pooled Budget

From the 1 April 2015 the Council will enter into a £2.226m pooled budget arrangement (section 75 agreement) for the Better Care Fund. Officers and Members of the Council are working across Leicester, Leicestershire and Rutland (LLR) to integrate reform and transform services. This is a budget to improve the ways health services and social care services work together, starting with services for older people and people with long term conditions. The Council and East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG) have submitted a Better Care Fund plan; this has been fully approved by NHS England.

The contributions from the Council are shown in the Adult Services line in the Comprehensive Income and Expenditure statement.

The council is holding £334k in a BCF earmarked reserve which will be spent on BCF projects in future year (see note 14).

2014/15	**Better Care Fund**	**2015/16**
£000		**£000**
	Funding Provided to the Pool	

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-	East Leicestershire and Rutland Clinical Commissioning Group (ELRCCG)	2,046
-	Rutland County Council	180
-	**Total Funding**	**2,226**
	Expenditure	
-	Unified Prevention Offer	371
-	Long Term Conditions	139
-	Urgent Response	627
-	Hospital Discharge and Re-ablement	626
-	Enablers	147
-	**Total Expenditure**	**1,910**
-	**Surplus/ (Deficit) on Fund**	**316**

9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2014/15	**Other Operating Expenditure**	**2015/16**
£000		**£000**
550	Parish Council Precepts	561
45	External Levies	52
7,286	Net (Gains)/Losses on Disposal of Non-Current Assets	6,527
7,881	**Total**	7,140

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

2014/15	**Financing & Investment Income & Expenditure**	**2015/16**
£000		**£000**
1,045	Interest payable & similar charges	1,045
1,476	Net interest on the net defined benefit liability (asset)	1,352
(154)	Interest receivable and similar income	(254)
2,367	**Total**	**2,143**

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

2014/15	**Taxation & Non-Specific Grant Income**	**2015/16**
£000		**£000**
21,038	Council Tax income	21,445
4,029	Retained business rates income	4,198
25,067	**Total Taxation Income**	**25,643**
	Non-specific grants	
5,080	Revenue Support Grant	4,060
357	Small Business Rate Relief (Section 31)	436
255	Education Services Grant	184
217	Council Tax Freeze	219
138	Social Care Reform	294
538	New Homes Bonus	822
622	Better Care Fund	2,046
100	Adoption Grant	-
100	Transport Review	-
254	Special Educational Needs	23
326	Clinical Commissioning Group - Health	-
199	Other	284
57	Sustainable Drainage	-
8,243	**Total Non-Specific Grants**	**8,368**
1,008	Section 106 Contributions	508
-	Hawkesmead Infrastructure Agreement	2,111
3,423	Capital Receipts, Grants & Contributions	3,579
4,431	**Total Other Income**	**6,198**
37,741	**Total**	**40,209**

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 2015/16:

2014/15	**Credited to Services**	**2015/16**
£000		**£000**
141	School Sport Partnership	112
5,637	Housing Benefit Subsidy	5,606
154	Benefits Administration Subsidy	81
605	Adult Learning (Various)	579
10,463	Dedicated Schools Grant *(note 7)*	9,205
167	Unaccompanied Asylum Seeking Children	65
1,073	Public Health	1,196
605	Travel 4 Rutland	101
53	Revenues	55
22	Community Covenant	19
40	Oakham Castle Restoration	-
426	Pupil Premium	307
53	Troubled Families Programme	70
202	Universal Infant Free School Meals	158
232	Other Grants	246
19,873	**Total**	**17,800**

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:

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2014/15	Revenue Grants & Contributions - Receipts in Advance	2015/16
£000		£000
89	Community Covenant Grant	-
6	School Sport Partnership	11
16	Comenius Regio	-
24	Adult Skills	81
25	Commissioning Plan Fund	-
17	Community Safety Portfolio	-
24	LSA Fund	-
19	Ministry of Defence	-
-	Individual Electoral Registration	20
-	Troubled Families	37
-	Arts Council England Intern Programme	37
-	Bikeability Grant	15
-	Local Sports Alliance	37
43	Other Grants	3
263	**Total**	**241**

The authority credited the following capital grants, contributions and donations within the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15	Capital Grants & Contributions	2015/16
£000		£000
282	Capital Maintenance	226
103	Basic Need Grant	506
1,760	Highways Capital Maintenance	1,907
295	Highways Integrated Transport	458
60	Devolved Formula Capital	43
513	Travel for Rutland	29
86	Disabled Facilities Grants	-
-	Better Care Fund (BCF)	180
-	Digital Rutland	-
-	Health – Dementia	-
74	LASSL (DH)	-
320	Sport England – Active Rutland Hub	180
138	Contribution – Youth Housing Project	-
-	Heritage Lottery Funding	693
156	Other Grants & Contributions	21
3,787	**Total**	**4,243**

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

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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 2015 £000	**Summary of Usable & Unusable Reserves**	**1 April 2015 £000**	**Movement £000**	**31 March 2016 £000**
	Usable Reserves			
9,675	General Fund Balance	9,675	469	10,144
1,632	School Balances	1,632	(405)	1,227
6,137	Specific Reserves (Note 14)	6,137	1,365	7,502
-	Capital Receipts Reserve	-	1,471	1,471
3,748	Capital Grants	3,748	113	3,861
21,192	**Total Usable Reserves**	**21,192**	**3,013**	**24,205**
18,071	Revaluation Reserve	18,071	(3,196)	14,875
34,636	Capital Adjustment Account	34,636	(1,739)	32,897
272	Deferred Capital Receipts	272	52	324
93	Financial Instruments Adjustment Account	93	(12)	81
(41,964)	Pension Fund Reserve	(41,964)	11,116	(30,848)
(224)	Collection Fund Adjustment Account	(224)	537	313
(250)	Accumulating Compensated Absences Adjustment Account	(250)	43	(207)
10,634	**Total Unusable Reserves**	**10,634**	**6,801**	**17,435**
31,826	**Total Reserves**	**31,826**	**9,814**	**41,640**

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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)

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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 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)**

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Adjustments between Accounting Basis & Funding Basis Under Regulations 2014/15	*General Fund Balance £000*	*Usable Reserves Capital Receipts Reserve £000*	*Capital Grants Unapplied £000*	*Movement in Unusable Reserves £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	854	-	-	(854)
Revaluation losses on Property Plant and Equipment	1,144	-	*	(1,144)
Capital grants & contributions applied	(3,725)	-	(801)	4,526
Revenue expenditure funded from capital under statute	759	-	-	(759)
Amounts of non-current asset written off on disposal of sale	7,329	-	-	(7,329)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(1,108)	-	-	1,108
Capital expenditure charged against the general fund	(46)	-	-	46
Adjustment primarily involving the Capital Grants Unapplied Accounts				
Capital grants & contributions unapplied	(81)	-	81	-
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal	(43)	43	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	272	-	(272)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(315)	-	315
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	(1,911)	-	-	1,911
employer's pension contributions and direct payments to pensioners payable in the year	3,063	-	-	(3,063)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income is different from income calculated in accordance with statutory requirements	512	-	-	(512)
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	(22)	-	-	22
Total Adjustments	**6,737**	**-**	**(720)**	**(6,017)**

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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.

2014/15	**Revaluation Reserve**	**2015/16**
£000		**£000**
20,845	Balance 1st April	18,071
-	Opening Balance Adjustment	(654)
5,408	Upward revaluation of assets	1,686
(241)	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(292)
(419)	Difference between fair value depreciation and historical depreciation	(166)
(7,522)	Release of revaluation gains	(3,770)
18,071	**Balance at 31st March**	**14,875**

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.

2014/15	**Deferred Capital Receipts Reserve**	**2015/16**
£000		**£000**
544	Balance 1 April	272
(272)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(272)
-	Transfer to the Capital Receipt Receipts Reserve upon receipt of cash	324
272	**Balance at 31st March**	**324**

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.

2014/15	**Financial Instruments Adjustment Account**	**2015/16**
£000		**£000**
105	Balance 1 April	93
(12)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(12)
93	**Total**	**81**

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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.

2014/15	**Capital Adjustment Account**	**2015/16**
£000		**£000**
30,584	Balance at 1 April	34,636
(854)	Charges for depreciation and impairment of non-current assets	(716)
(1,144)	Revaluation losses on Property, Plant & Equipment	(2,799)
(759)	Revenue expenditure funded from capital under statute	(1,181)
433	Grant Funding of Revenue expenditure funded from capital under statute	1,107
(7,329)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(8,050)
7,941	Adjusting amounts written out of the Revaluation Reserve	4,590
315	Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	-
3,361	Capital grants and contributions credited to the CIES that have been applied to capital financing	3,219
733	Application of grants to capital financing from the Capital Grants Unapplied Account	222
46	Capital expenditure charged against the general Fund balance	244
1,108	Statutory provision for the financing of capital investment charged against the General Fund balance	864
-	Voluntary provision for the financing of capital investment charged against the General Fund balance	597
201	Use of the s106 Reserve to finance new capital expenditure	164
34,636	**Balance at 31 March**	**32,897**

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

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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.

2014/15	**Pensions Reserve**	**2015/16**
£000		**£000**
(34,545)	Balance 1 April 2015	(41,964)
(6,267)	Re-measurements of the net defined benefit liability (asset)	13,127
(3,063)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,987)
1,911	Employers pensions contributions and direct payments to pensioners payable in the year	1,976
(41,964)	**Total**	**(30,848)**

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.

2014/15	**Collection Fund Adjustment Account**	**2015/16**
£000		**£000**
288	Balance 1 April 2015	(224)
(512)	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	537
(224)	**Total**	**313**

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.

2014/15	**Accumulated Absences Account**	**2015/16**
£000		**£000**
(272)	Balance 1 April 2015	(250)
272	Settlement or cancellation of accrual made at the end of the preceding year	250
(250)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(207)
(250)	**Total**	**(207)**

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 2015/16.

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General Fund Earmarked Reserves	31 March 2015 £000	Transfers out £000	Transfers In £000	31 March 2016 £000
Invest to Save	356	-	122	478
Planning Delivery Grant	74	(35)	10	49
Internal Audit	5	-	30	35
Training	80	-	-	80
Travel for Rutland	50	(24)	-	26
Business Rates	287	(287)	-	-
Highways	298	(63)	75	310
Public Health	559	(200)	56	415
Risk Management	4	-	2	6
Castle restoration	51	(51)	-	-
Tourism	67	(19)	-	48
Digital Rutland	292	(16)	-	276
Adoption Reform	57	-	-	57
SEND Grant	104	-	-	104
SEN Grant	170	(63)	-	107
Social Care Reserve	1,000	(682)	388	706
Insurance	100	-	150	250
Welfare Reserve	130	(25)	48	153
Better Care Fund	17	-	317	334
Budget Carry Forward	395	(381)	470	484
Section 106	1,719	(369)	508	1,858
Commuted Sums	322	(36)	-	286
Oakham North	-	(597)	2,037	1,440
Total	**6,137**	**(2,848)**	**4,213**	**7,502**

15. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet as at 31 March 2016 are made up of the following categories of financial instruments:

2014/15		**Categories of Financial Instruments**	**2015/16**	
Long Term £000	*Current £000*		**Long Term £000**	**Current £000**
(21,923)	(5,190)	Financial liabilities (principal)	(21,935)	(4,570)
(186)	-	Accrued interest	(186)	-
(22,109)	**(5,190)**	**Total Borrowing** (financial liabilities at amortized cost)	**(22,121)**	**(4,570)**
		Loans & Receivables		
-	14,025	Short Term Investments	-	21,065
128	9,316	Debtors	417	6,359
128	**23,341**	**Total Investments** (loans & Investments at amortized cost)	**417**	**27,424**

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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	**2015/16**	
	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:

2014/15		**Fair Value of Financial Instruments**	**2015/16**	
Carrying Amount	*Fair Value*		**Carrying Amount**	**Fair Value**
£000	*£000*		**£000**	**£000**
21,386	35,809	PWLB Debt	21,386	30,053
630	537	Non PWLB Debt	630	553
22,016	36,346	Total Debt	22,016	30,606
3,471	3,471	Trade Creditors	2,711	2,711
25,487	**39,817**	**Total Financial Liabilities**	**24,727**	**33,317**
		Money Market Loans > 1 Year		
14,024	14,024	- Fixed Term Deposits	19,000	19,088
4,384	4,384	- Money Market Funds	3,594	3,594
-	-	- Notice Accounts	2,000	2,002
18,408	18,408		24,594	24,684
2,325	1,767	Trade Debtors	796	602
20,733	**20,175**	**Total Loans & Receivables**	**25,390**	**25,286**

<u>Methodology for Calculating Fair Values</u>

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;

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- 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 £0.66m of the £1.45m 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	348
More than three months	313
Total	**661**

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

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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	-
Between seven and 15 years	630
More than 15 years	21,386
Total	**22,016**

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

Period	**£000**
Between one and two years	127
Between two and three years	79
More than three years	211
Total	**417**

All trade and other payables are due to be paid in less than one year and trade debtors totalling £1.45 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;

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- 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 2015/16 would be:

Effect	**£000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(70)
Total	**(70)**

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.

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17. Property, Plant & Equipment

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**
At 1 April 2015	**38,995**	**285**	**34,201**	**541**	**573**	**74,595**

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Property, Plant & Equipment (PPE) – 2014/15	*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 2014	**50,909**	**1,796**	**38,795**	**-**	**577**	**92,077**
Reclassification from Assets Under Construction	-	-	-	-	-	-
Additions	1,365	103	3,253	541	-	5,262
Revaluation increase / (decrease) recognised in the Revaluation Reserve	3,774	-	-	-	149	3,923
Revaluation increase / (decrease) recognised in the Surplus/Deficit on the Provision of Services	(1,587)	-	-	-	-	(1,587)
De-recognition - Disposals	(7,635)	-	(843)	-	-	(8,478)
Reclassification from Assets Held for Sale	-	-	-	-	-	-
Reclassification to Surplus Assets	-	-	-	-	-	-
At 31 March 2015	**46,826**	**1,899**	**41,205**	**541**	**726**	**91,197**
Accumulated Depreciation & Impairment						
At 1 April 2014	**(10,974)**	**(1,477)**	**(5,845)**	**-**	**(287)**	**(18,583)**
Depreciation charge in year	(942)	(137)	(1,159)	-	(13)	(2,251)
Depreciation written out to the revaluation reserve	351	-	-	-	22	373
Depreciation written out to the Surplus/Deficit on the Provision of Services	443	-	-	-	-	443
Impairment recognized in Revaluation Reserve	867	-	-	-	4	871
Impairment recognized in Surplus/Deficit on the Provision of Services	1,275	-	-	-	121	1,396
De-recognition – Disposal	1,149	-	-	-	-	1,149
At 31 March 2015	**(7,831)**	**(1,614)**	**(7,004)**	**-**	**(153)**	**(16,602)**
Net Book Value At 31 March 2015	**38,995**	**285**	**34,201**	**541**	**573**	**74,595**

During 2014/15 a review of how the Council accounts for schools assets was undertaken due to the incorporation of IFRS 12 – Disclosure of other interests in entities. This review did not result in any change of classification or valuations of the schools included on the Council's Balance Sheet.

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 2015/16 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.

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Valued at fair value as at	Vehicles, Plant & Equipment	Other Land & Buildings	Total
	£000	£000	£000
Historical Cost	1,981	-	1,981
At 1 April 2011	-	2,162	2,162
At 1 April 2012	-	14,655	14,655
At 1 April 2013	-	4,935	4,935
At 1 April 2014	-	13,115	13,115
At 1 April 2015	-	6,014	6,014
Total cost or valuation	**1,981**	**40,881**	**42,862**

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.

2014/15	**Capital Financing Requirement**	**2015/16**
£000		**£000**
24,143	Opening Capital Financing Requirement	23,936
	Capital Investment	
5,261	Property Plant & Equipment	3,901
759	Revenue expenditure funded from capital under statute (REFCUS)	1,181
-	Long Term Debtor	94
	Sources of Finance	
(315)	Capital Receipts	-
(4,758)	Government Grants	(4,682)
(1,154)	Sums set aside from revenue (including direct revenue financing, MRP, VRP and loans fund principals)	(1,705)
23,936	**Closing Capital Financing Requirement**	**22,725**
	Explanation of movement in year	
(207)	Increase/(reduction) in the underlying need to borrow	(1,211)

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21. Leases

Authority as Lessee

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

2014/15	Council as Lessee - Operating Leases	2015/16
£000		£000
62	Not later than one year	55
125	Later than one year and not later than five years	185
378	Later than five years	224
565	**Total**	**464**

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:

2014/15	Council as Lessee – Minimum Lease Payments	2015/16
£000		£000
69	Minimum Lease Payment	63

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:

2014/15	Council as Lessee - Operating Leases	2015/16
£000		£000
275	Not later than one year	441

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

2014/15	Short-term debtors	2015/16
£000		£000
1,259	Central Government Bodies	650
265	Other Local Authorities	311
1,275	NHS Bodies	322
105	Schools	14
2,182	Other Entities & Individuals	3,233
5,086	**Total**	**4,530**

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2014/15	Long-term debtors	2015/16
£000		£000
120	Housing Association	119
-	Sale of Buses	201
15	Other	103
135	**Total**	**423**

23. Assets Held for Sale

2014/15	Assets Held for Sale	2015/16
£000		**£000**
1,723	Balance 1 April	1,723
	Assets newly classified as held for sale	
-	Revaluation gains/ (losses)	-
	Assets declassified as held for sale	
-	Property, Plant and Equipment	(563)
-	Assets Sold	(1,160)
1,723	**Total**	**-**

24. Creditors

2014/15	Creditors	2015/16
£000		£000
941	Central Government Bodies	1,070
672	Other Local Authorities	922
213	Schools	169
3,763	Other Entities & Individuals	4,254
5,589	**Total**	**6,415**

25. Provisions

Provision	Balance 1 April £000	Addition to Provision £000	Amount Charged in Year £000	Balance 31 March £000
Land Charges	19	-	(19)	0
Social Care	-	-	-	-
Appeals (NDR)	286	-	(39)	247
Balance 31 March	**305**	**-**	**(58)**	**247**

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:

2014/15	Operating Activities	2015/16
£000		£000
(154)	Interest Received	(254)
1,045	Interest Payables	1,045

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27. Cash Flow Statement – Investing Activities

2014/15 *£000*	**Investing Activities**	**2015/16** **£000**
6,020	Purchase of property, plant and equipment, investment property and intangible assets	5,082
14,000	Purchase of short-term and long-term investments	21,000
(315)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,795)
(5,000)	Proceeds from short-term and long-term investments	(14,000)
(3,725)	Capital Grants Received	(4,243)
10,980	**Total**	**6,044**

28. Cash Flow Statement – Financing Activities

2014/15 *£000*	**Financing Activities**	**2015/16** **£000**
-	Repayment of short and long-term borrowing	-
(23)	Other payments for financing activities	358
(23)	**Total**	**358**

29. Cash Flow Statement – Cash & Cash Equivalents

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

2014/15 *£000*	**Cash & Cash Equivalents**	**2015/16** **£000**
3	Cash held by the authority	3
665	Bank current accounts in credit	520
5,404	Short term deposits	4,461
(100)	Bank current accounts overdrawn	(54)
5,972	**Total**	**4,930**

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 2015/16 the authority paid £0.33 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.45% of pensionable pay (£0.39 million and 14.1% 2014/15). 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.

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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:

2014/15 *£000*	**Comprehensive Income & Expenditure Statement**	**2015/16** **£000**
	Cost of Service	
2139	Current Service Cost	2,634
7	Past Service Cost	-
(560)	Effects of Settlements	-
	Financing & Investment Income & Expenditure	
1477	Net interest expense	1,353
3063	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**3,987**
	Other post-employment benefits charged to the CIES	
(5,566)	Return on plan assets (excluding the amount included in the net interest expense)	1,359
-	Actuarial gains and losses arising on changes in demographic assumptions	-
12,465	Actuarial gains and losses arising on changes in financial assumptions	(13,009)
(632)	Other	(1,477)
6,267	Total Re-measurements Recognised in CIES	**(13,127)**
9,330	**Total post employment benefit charged to the CIES**	**(9,140)**
	Movement in Reserves Statement	
(3,063)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(3,987)
1,152	Actual Amount charged against the General Fund Balance for Pensions in the year	2,011
(1,911)	**Total Movement in Reserves Statement**	**(1,976)**

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2014/15	Pensions Assets and Liabilities Recognised in the Balance Sheet	2015/16
£000		**£000**
(55,226)	Fair Value of Employer Assets	(55,801)
97,190	Present Value of Defined Benefit Obligation	86,649
41,964	**Net liability arising from defined benefit obligation**	**30,848**

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

2014/15	Reconciliation of the Fair Value of the Scheme Assets	2015/16
£000		**£000**
48,437	Opening fair value of Scheme Assets	55,226
2,064	Interest Income	1,770
	Re-measurement gain/(loss)	
5,566	Return on plan assets, excluding the amount included in the net interest expense	(1,359)
(604)	Effect of Settlements	-
1,911	Contributions from Employer	1,976
588	Contributions from Employees	591
(2,736)	Benefits Paid	(2,403)
55,226	**Closing Fair Value of Scheme Assets**	**55,801**

2014/15	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	2014/15
£000		**£000**
82,982	Opening Liability at 1 April	97,190
2,139	Current Service Cost	2,634
3,541	Interest Cost	3,123
588	Contributions from Scheme Participants	591
	Re-measurement (gains) and losses	
-	Actuarial gains/losses arising from changes in demographic assumptions	-
12,465	Actuarial gains/losses arising from changes in financial assumptions	(13,009)
(632)	Other	(1,477)
7	Past Service Costs	-
(2,736)	Benefits Paid	(2,403)
(1,164)	Liabilities Extinguished on Settlements	-
97,190	**Closing Liability at 31 March**	**86,649**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £30.848 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 2017 is £1.861m.

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The following table is a 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.

2014/15 *£000*	**Local Government Pension Scheme Assets**	**2015/16** **£000**
1,714	**Equity Securities**	1,525
	Debt Securities	
3,030	UK	2,946
2,271	Other	2,297
5,301	Total debt securities	5,243
2,095	**Private Equity**	2,142
5,233	**Real Estate**	5,683
	Investment Funds & Unit Trusts	
27,845	Equities	27,376
5,144	Bonds	6,005
2,397	Hedge Funds	2,532
2,320	Commodities	1,199
1,302	Infrastructure	1,457
1,013	Other	1,543
40,021	Total investment funds & unit trusts	40,112
309	**Derivatives**	(20)
553	**Cash & Cash Equivalents**	1,116
55,226	**Closing Fair Value of Scheme Assets**	**55,801**

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 2016.

The significant assumptions used by the actuary have been:

2014/15		**2015/16**
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.2	Men (years)	22.2
24.3	Women (years)	24.3
	Longevity at 65 for Future Pensioners:	
24.2	Men (years)	24.2
26.6	Women (years)	26.6
	Financial Assumptions	
2.80%	Rate of Inflation	3.10%
4.30%	Rate of increase in salaries	3.20%
2.40%	Rate of increase in pensions	2.20%
3.20%	Rate for discounting scheme liabilities	3.50%
50.00%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	50.00%
75.00%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	75.00%

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

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

Impact on the Council's Cash Flows

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

The Council anticipated to pay £1.861m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for active members is 23.5 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.

A group of Property Search Companies sought to claims refunds of fees paid to the Council to access land charges data. The Council agree to settle and some costs were settled in 2015/16. There remains the potential for new claimants to come forward but the value of the liability is unknown.

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.

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.

2014/15	**Trust Funds**	**2015/16**

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£000		£000
6	Income	6
(8)	Expenditure	(10)
199	Assets	189
-	Liabilities	-

35. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 30 June 2016. 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.

There are no events that required any significant adjustments to the accounts for 2015/16

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 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 2016 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 2015/16 the authority's actuaries advised that an increase in life expectancy of 1 year would increase the potential benefit liability by 3%.
Arrears	At 31 March 2016 the authority had a balance of £4.5 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.

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37. Accounting Standards that have been Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the “Telling the Story” review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council’s Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

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Collection Fund

2014/15 Total £000	Collection Fund	2015/16 Council Tax £000	2015/16 Business Rates £000	2015/16 Total £000
	Income			
(24,419)	Council Tax Receivable	(24,972)	-	(24,972)
(10,193)	Business Rates Receivable	-	(10,325)	(10,325)
(15)	Transitional Protection Payments Receivable	-	-	-
(24)	Local Council Tax Support - General Fund Contribution	(17)	-	(17)
(34,651)	**Total Income**	**(24,989)**	**(10,325)**	**(35,314)**
	Expenditure			
	Precepts			
21,014	Rutland County Council	21,246	-	21,246
2,525	Leicestershire Police	2,603	-	2,603
848	Leicester, Leicestershire & Rutland Fire Authority	874	-	874
24,387	***Total Precepts***	**24,723**	**-**	**24,723**
	Business Rates Shares			
4,960	Central Government	-	5,127	5,127
4,860	Rutland County Council	-	5,024	5,024
99	Leicester, Leicestershire & Rutland Fire Authority	-	103	103
9,919	***Total Business Rates Shares***	**-**	**10,254**	**10,254**
	Charges to the Collection Fund			
90	Write Off - Uncollectable Amounts	34	36	70
(20)	Increase / (Decrease) in Bad Debt Provision	-	(41)	(41)
165	Increase / (Decrease) in Appeals Provision	-	(79)	(79)
53	Cost of Collection	-	55	55
-	Transitional Protection Payments Payable	-	11	11
288	***Total Charges to the Collection Fund***	**34**	**(18)**	**16**
	Distribution of Previous Year's Estimated Collection Fund Surplus			
57	Central Government	-	(300)	(300)
551	Rutland County Council	-	(295)	(295)
59	Leicestershire Police	-	-	-
21	Leicester, Leicestershire & Rutland Fire Authority	-	(6)	(6)
688	***Total Distribution of Previous Year's Estimated Collection Fund Surplus***	**-**	**(601)**	**(601)**
35,282	**Total Expenditure**	**24,757**	**9,635**	**34,392**
631	**(Surplus) / Deficit on Collection Fund**	**(232)**	**(690)**	**(922)**
	Collection Fund Balance			
(152)	(Surplus)/Deficit B/Fwd 1 April	(28)	506	478
630	(Surplus)/Deficit Arising During the Year	(232)	(690)	(922)
478	**(Surplus)/Deficit C/Fwd 31 March**	**(260)**	**(184)**	**(444)**

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1. Collection Fund Overview

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

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

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

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

2. Business Rates

The total non-domestic rateable value as at 31 March 2016 was £27.332 million (31 March 2015 - £26.787 million).

The standard BR multiplier for 2015/16 was 49.3 pence (2014/15 – 48.2 pence). The small business multiplier for 2015/16 was 48.0 pence (2014/15 – 47.1 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 2015/16 is calculated as follows:

2014/15 Band D Equivalent	**Band**	**Ratio**	**Number of Chargeable Dwellings**	**2015/16 Band D Equivalent**
2.80	A (with Disable Relief)	5/9	5.58	3.10
704.60	A	6/9	976.36	650.91
2,302.33	B	7/9	2,965.93	2,306.83
2,153.89	C	8/9	2,492.11	2,215.21
2,099.15	D	9/9	2,123.43	2,123.43
2,458.54	E	11/9	2,024.75	2,474.71
2,071.03	F	13/9	1,477.73	2,134.49
1,949.42	G	15/9	1,177.50	1,962.50
241.70	H	18/9	124.51	249.01
13,983.46	Total			14,120.19
462.00	Ministry of Defence contribution in lieu of council tax			481.00
(139.83)	Allowance for non-collection			(141.20)
14,305.63	**Council Tax Base**			**14,459.99**

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Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16 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

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- 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.

Employee Benefits

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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' and NHS schemes mean that 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, 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

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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:
  - o quoted securities – current bid price
  - o unquoted securities – professional estimate
  - o unitised securities – current bid price
  - o property – market value
- The change in the net pensions liability is analysed into the following components:
  - o 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.
  - o 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
  - o 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.

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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.

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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:

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- 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.

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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

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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. However, revaluation and disposal gains and losses are not permitted by statutory arrangement 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

<u>*Finance Leases*</u>

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

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- 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.

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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 those that benefit from the supply or service in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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.

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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

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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.

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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.

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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.

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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

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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 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 2016 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Vision, Aims and Objectives

A clear statement of the Council's purpose and vision is set out in its Sustainable Community Strategy, the most recent revision of which was approved in July 2010. The Strategy was developed with Rutland Together, the local strategic partnership, and involved consultation with key stakeholders and the wider community. The Council's strategic aims, which are reviewed and refreshed by Cabinet and Council generally on an annual basis, provide a clear set of priorities against which the Council can allocate resources and are supported by clear accountability for delivery. A new Corporate Plan is currently being developed which will include a revised set of strategic aims and objectives. The financial implications of implementing agreed priorities were incorporated in the Medium Term Financial Plan (MTFP) approved in February 2013 and then kept under review. The MTFP was updated as part of the budget setting process for 2016/17. Appropriate provision for continuing to implement the Council's priorities has been included in the budget for 2016/17.

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The key priorities for 2015/16 included:

- Medium Term Financial Plan and the Real Gap
  - Deliver 15/16 Savings
  - Develop savings beyond 15/16
  - Directorate reviews – Places
- Developing the Corporate vision
  - Peer review
  - 20 year vision
  - Corporate Plan
- Leadership transition
- Growth
- Managing Performance

These priorities have been addressed against a backdrop of other significant changes affecting the Council and the county.

Political and Constitutional Arrangements

On 6th May 2015 the Council held local elections to fill County and Town/Parish seats in accordance with its four year election cycle. Although the administration of the Council remained with the Conservative Group, ten new Councillors commenced a first term of office. Two new political groups were also formed; five independent members joined to form the Independent Group and two Liberal Democratic members joined to form the Liberal Democrat Group. This move enabled the creation of the Group Leaders forum, under the Chairmanship of the Chief Executive. In order to assist Members in achieving their community roles, a programme of training and development was provided; this complimented the Member Induction programme, which was held at the start of the municipal year and attended by every new Member.

As the year progressed, the Council was notified of the resignation of the Liberal Democrat Councillor for Whissendine as a result of poor health; as a consequence the Liberal Democrat group was unable to continue. A by-election was held in Whissendine resulting in a Liberal Democrat Councillor being elected and subsequently joining forces with the other Liberal Democrat member to resurrect the Liberal Democrat group.

In February 2016, the Council's Leader, Councillor Roger Begy, passed away following a short illness. Councillor Begy's Greetham seat remained vacant for some time pending a by-election and was eventually filled by Councillor Nick Begy as a result of an uncontested election. Councillor Terry King, the former Deputy Leader of the Council, was elected as the new Leader of the Council and Councillor Tony Mathias was appointed to the role of Deputy Leader.

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 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 as and when it considers it appropriate.

During 2015/16 the work included:

- Scoping the review of the Scheme of Delegation;
- Agreeing that licensing policies should go to relevant Scrutiny Panels as well as Licensing Act Committees;

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- Approval of new Financial Procedure Rules;
- Approving the Terms of Reference, timetable and consultation strategy for Council approval for the Community Governance Review of Barleythorpe and Oakham North West; and
- Revising Procedure Rule 346 of the Constitution, which refers to disciplinary action in respect of post holders of statutory roles such as the Head of Paid Service, Monitoring Officer and Chief Finance Officer.

The Community Governance Review of the parishes of Barleythorpe and Oakham is 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 parish of Barleythorpe whilst maintaining the identities and interests of the community. This matter went out to consultation in January 2016 and is expected to conclude in January 2017, with an order coming into effect in April 2017.

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.

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

In 2014/15, the Council established Governance Group, which works under the broad direction of SMT and comprises officers from across the Council, to provide a forum for 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 2015/16 the Group made good progress in addressing some of the Council's key governance issues with the formation of sub-groups who worked on a 'task and finish' basis:

- A corporate data protection privacy notice was developed for all forms used to collect customer data; the Council now has a consistent approach in this area;

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- Business continuity arrangements have been scrutinised and tested; this work is still in progress;
- Solutions to the Council's data retention and disposal arrangements are currently under consideration; results are due to be reported to Cabinet in the autumn.

The Group has also taken the lead on 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 develop 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.

In 2015, the Council also launched a new Compliments, Comments and Complaints Policy; this change, which is now firmly embedded, has improved the way the Council manages feedback about its services. 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 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.

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The MTFP was updated throughout 2015/16 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 on 22 February 2016 as part of the budget setting process for 2015/16. 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 2015, the external auditors concluded that the Council had improved the quality of the accounts and working papers and had good processes in place and on this basis; an unqualified audit opinion on the Authority's financial statements was issued.

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 Contract Procedure Rules have been reviewed and the Financial Procedure Rules were reviewed, updated and implemented from 1 April 2015. To support the new rules and financial governance in general, the Council arranged training sessions and developed an e-learning module for those involved in financial management.

Risk Management

Risk Management is embedded in the Council through the Risk Management Strategy. During 2015/16, working with a consultant from the Council's Insurers Zurich Municipal, the Risk Strategy and Policy was reviewed and endorsed by the Audit and Risk Committee. A revised version was presented to Cabinet for approval in the first quarter of 2016/17. Following this, training will be provided to the Council's Senior Managers.

The Council maintains a Strategic Risk Register, and each risk is assigned a member of SMT as risk owner. As part of the review of the strategy and policy a complete refresh of the risk register took place during the year. The register has been redesigned and a workshop was held with SMT to discuss strategic risks the council is facing. This has led to a smaller, more focussed strategic risk register.

The Leader is the lead member for risk management. 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.

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. Following the implementation of a new report template, which requires more explicit reference and commentary in relation to how specific risk issues relate to decisions, it can be seen that this area is now being addressed as part of the standard reporting writing process.

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.

Standards of Conduct

The behaviour of elected members is regulated through a Code of Conduct. The Code changed in July 2012 as a result of provisions in the Localism Act 2011. The previous ethical standards regime was set up by the Local Government Act 2000 and required all members to sign up to a model code of conduct upon election to the Council. This was a national code, approved by Parliament. The Localism Act required councils to adopt their own code of conduct and establish local arrangements for dealing with complaints of a member breaching the code.

The Council adopted a Code of Conduct and local arrangements which came into effect on 1 July 2012 and a Conduct Committee has been in place ever since. The Code of Conduct was reviewed by the

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Conduct Committee in late 2014 and the amended version approved by Full Council in March 2015. Two Independent Persons have been appointed by the Council to provide independent support to members and the Monitoring Officer. Training is provided to members periodically to ensure that they are fully aware of their responsibilities, particularly when changes are made to the membership of the Committee.

During 2015/16 the Monitoring Officer received 41 complaints of alleged Councillor Misconduct within the County. A large percentage of the complaints related to Oakham Town Council; these were forwarded to an external company to carry out an independent investigation into the three main themes. Otherwise, no other matter required investigation or referral to the Conduct Committee.

A register of Members' interests is maintained and published on the Council's website. The requirements in this regard also changed in July 2012. Members continue to register and amend their declarable interests as appropriate. Following the local elections in May 2015, a concerted effort was made to record registrations from new Parish Council members, in addition to County Councillors; all registrations are now properly recorded and a separate log of Parish Councillors has also been maintained.

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. A 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. In addition, work is in progress to self-assess against the Information Governance toolkit; compliance with this framework allows the Council to share and access health data.

Counter-fraud, Whistleblowing and Complaints

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 2015-16.

The Council launched a new fraud reporting mechanism this year; 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 Head of Corporate Governance. No reports were made during 2015-16.

Matches generated by the National Fraud Initiative exercise were progressed during 2015-16 with no issues or concerns.

The Council recognises the importance of customer feedback and welcomes complaints as a valuable form of feedback about its services. There is a formal compliment, comments and complaints procedure which enables the Council to respond to feedback but also to use the information it receives effectively, to help drive forward improvements. To this end, a new process came into effect on 1st January 2015 and is now embedded within the Council. The process incorporates a protocol for dealing with vexatious complainants. Two customers were formally registered as vexatious during 2015-16. This status was lifted in February 2016 following a review of their conduct during a six-month monitoring period.

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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.

In October 2015, the Council approved a Workforce Development Strategy to provide clear focus on organisation development and continuous improvement.

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 2015-16 Members attended training on the following subjects:

- Induction to the Council (which included conduct and data governance)
- New role of a Councillor
- Development Control
- Finance
- Key Policy Issues for Local Government
- Windfarm Planning Issues and general Planning
- Scrutiny and Effective Challenge
- Major Incidents
- Fraud Awareness
- Chairing and Facilitation Skills

Budget provision is made for training and development of members and officers; this was increased during 2015-16 to accommodate new Councillors and their training requirements.

Service Delivery

The Council uses a variety of service delivery models. It has a number of key services such as refuse collection and highways which are outsourced. It is also part of many successful partnerships with, for example, Leicester City Council, Leicestershire County Council and the three Clinical Commissioning Groups covering Rutland and Leicestershire for Adult Social Care service and the Children's Trust. Along with other authorities in the Welland Partnership, the Council has a shared Internal Audit Service (for which it is the lead Council) and joint Procurement Unit. Further shared services arrangements are still in place, covering public protection services and legal services. The Council works in partnership with other local authorities and public agencies through the Leicester, Leicestershire and Rutland Local Resilience Forum to prepare for, and respond to, civil emergencies.

The cost of the Council's services continues to be relatively low as evidenced by cost profiles produced by the Audit Commission. Nevertheless, the Council continues to review how services should be delivered; the Local Government Association is also surveying the type of shared service models operated by Councils; this data will provide an opportunity to benchmark and assess future delivery options.

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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.

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.

During 2015/16, Partners from the LSP have supported the process of developing the Corporate Plan, which is due to be approved in September 2016.

Better Care Together and the Better Care Fund

Better Care Together (BCT) is a significant programme of work which will transform the health and social care system in Leicester, Leicestershire and Rutland (LLR) by 2019. BCT brings together partners in Health and Local Government, including the Council, to ensure that services change to meet the needs of local people. The programme is also working closely with public and patient involvement (PPI) representatives to develop plans for change.

Two of the key issues being addressed relate to the ever increasing demand on social and health care services and the fact that too many people find themselves in hospital and residential care. This is often because we have not done enough to keep them well and supported in the community before hospital and/or residential care becomes the only option.

The BCT vision is for a local health and social care system that supports our community through every stage of life. More information can be found at:

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

During 2015-16, implementation of the Rutland Better Care Fund progressed 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. The programme was subject to in-house evaluation in November 2015 as part of developing the 2016-17 plan. This concluded that the programme had created strong foundations for health and social care integration locally, including valuable preventative activities and improved responses to urgent care needs, reablement and discharge management. 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.

Other engagement

The Council undertakes public engagement and consultation on a range of matters. In 2015/16 this included:

- Draft Supplementary Planning Document
- Cottesmore Neighbourhood Plan and the Langham Neighbourhood plan
- Identifying possible areas for new development - Local Plan Review: Call for sites
- Housing Allocations Policy
- Issues and Options document as part of Local Plan Review
- The Community Governance Review: Barley Thorpe and Oakham North West
- Consultation on the Annual Budget

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- Annual Business Summit with Local Enterprise Partnership
- Adult Social Care Charging
- Barleythorpe Neighbourhood Forum and Neighbourhood Area
- Oakham Neighbourhood Area
- Rutland Travel Survey

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.

http://www.rutland.gov.uk/council_and_democracy/transparency_code_2014-15.aspx

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 the 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.

During 2015/16, sufficient assurance was given by the Head of Internal Audit that there is generally a sound system of internal control, designed to meet the organisations objectives and that controls are generally being applied consistently. During this period, the Council had three limited assurance outcomes as a result of Internal Audit reviews, these were in respect of a) IT Systems Administration, b) Oakham Enterprise Park and c) External Care Placements; actions have already been addressed and are in the process of being finalised. The Audit and Risk Committee is rigorous in following up issues and will be monitoring that all actions have been completed.

Notwithstanding this the level of assurance, therefore, remains at a consistent level. Controls relating to key financial systems for payroll, debtors, creditors and local taxation were reviewed during the year and found to be at a level of Substantial Assurance. The overall proportion of audit reports giving Limited Assurance remained consistent with 2014/15; however, the proportion of Substantial Assurance reports is higher than in 2014/15. The implementation of audit recommendations during the year has been strong, with 92% of those actions from 2015/16 audit reports, which were agreed and due for implementation, being completed during the year.

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Members receive an annual report of Internal Audit activity and approve the Audit Plan for the forthcoming year.

Scrutiny

During 2015/16 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 reviewed include:

- Performance and Financial Management
- Strategic Aims and Objectives
- Rutland Local Plan Local Development Scheme
- Sport and Recreation Facilities Strategy
- Draft Housing Allocation Policy
- Street Lighting Policy
- Parking Review
- Local Transport Plan
- Review of Child Health
- Review of Learning and Skills Strategy
- Fostering Annual Report
- Early Help Strategy
- Provision of School Places
- Senior Officer Pay Review
- Compliments, Comments and Complaints Report
- Overview of IT services and Resources Directorate
- Treasury Management Strategy

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

Performance

Quarterly reports on Performance Management are presented to Cabinet. The Council's overall performance shows 90% of indicators were on or above target at the end of 2015/16.

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.

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.

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- 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

An exercise was carried out with SMT to test business continuity arrangements. The recovery plans are being reviewed and updated to take account of the issues identified during the exercise.

Management Assurance

Senior managers make annual individual written assurance statements relating to any internal control weaknesses they have identified. During 2015/16 the Council received notification of two applications to Judicially Review decisions within the People (Children's) Directorate; these cases are progressing with a conclusion expected within 2016/17. Otherwise, there are no issues of significance.

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 2014/15 gave the Council a qualified conclusion on the authority's arrangements to secure value for money for 2014/5. This was in respect of the Oakham North Development planning application. No concerns were reported regarding the Council's arrangements for securing financial resilience.

Peer Challenge Review – Children's

Peer reviews are part of an approach called "sector led improvement" established in 2011 by the coalition government. Rutland's Children's Services received a recent peer review on 27 and 28 January 2016 and was led by the Director of Children's Services in Lincolnshire. They were supported by a team comprised of senior staff from Lincolnshire and Nottinghamshire County Councils and from the School Development Support Agency (SDSA).

The key notable findings were evidence of:

- a discernible journey of improvement
- a sustainable leadership and focus on workforce development was commended
- an embedded quality assurance framework
- active member involvement, resulting in improved collaboration and better joint working with partners
- an ambitious authority for looked after children with a well-integrated care planning process.

The review team also found a wide range of early help services with excellent staff and political commitment to these services in the face of financial challenges. They praised Rutland's involvement in the child sexual exploitation hub, which was also praised by OFSTED and they commended our staff, some of whom were highly motivated and child focussed. Also noted were the outstanding relationships with housing, leading to outstanding outcomes for care leavers.

Areas for improvement included strengthening corporate parenting through wider political and corporate engagement, exploring partnership opportunities to enhance the resilience of fostering services, and raising the awareness around information security on case files

The team made recommendations to support the Council's readiness for inspection and to support further improvements and 12 week action plan was developed in response to the review's findings.

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Data Incidents

Between April 2015 and March 2016 22 reports of potential data breaches were made. All were investigated to satisfactory conclusion with no outstanding risks identified. Incidents were minor and no referrals were made to the Information Commissioner's Office. 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.

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 2017.

Neighbourhood Plans

Following the residents' acceptance of the Uppingham Neighbourhood Plan, Larkfleet Homes Ltd applied to the High Court of Justice during 2014. Their appeal, which was based on the Council's failure to comply with statutory processes, was dismissed the same year. The developer subsequently appealed this decision to the Court of Appeal; this was also dismissed in June 2015. A further application was made to the Supreme Court and in November 2015, the Supreme Court ordered that permission to appeal be refused. As all avenues of appeal were exhausted, the Council was able to proceed and the Uppingham Neighbourhood Plan was 'made' in January 2016.

Local Government Ombudsman (LGO)

The Ombudsman's report for the year ending 31 March 2015 showed that 14 complaints (compared to 18 in 2013/14) had been made during the year, with one complaint being upheld by the Local Government Ombudsman and one still in progress (therefore the outcome will be carried forward to the next reporting year).

Decisions Made:

Upheld	Not Upheld	Advice Given	Closed after Initial Enquiry	Incomplete or Invalid	Referred back for local resolution	Total
1	1	1	2	1	7	13

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. In 2014/15, the Council reported one significant governance issue in relation to the administration of s.106 agreements for planning applications. All actions identified have been completed in relation to this matter.

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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		Terry King, Leader of the Council	
Date:	28th July 2016	Date::	28th July 2016